# REPORT

# REVIEW OF NEW BRUNSWICK'S UNCONDITIONAL GRANT TO MUNICIPALITIES

PROVINCE of NEW BRUNSWICK
DEPARTMENT of MUNICIPAL AFFAIRS and ENVIRONMENT
HON. ROBERT C. JACKSON, MINISTER

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# REVIEW OF NEW BRUNSWICK'S UNCONDITIONAL GRANT TO MUNICIPALITIES

POLICY DEVELOPMENT and RESEARCH BRANCH

A. LOWELL BOYLE, DIRECTOR

FEBRUARY, 1986

PROVINCE of NEW BRUNSWICK
DEPARTMENT of MUNICIPAL AFFAIRS and ENVIRONMENT

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February 26, 1986

Hon. Robert C. Jackson
Minister
Mr. Pierre C. Marquis
Deputy Minister
Department of Municipal Affairs & Environment
Province of New Brunswick

Gentlemen:

I have the honour to submit the Report on the Review of New Brunswick's Unconditional Grant to Municipalities. In doing so, I acknowledge the substantial contribution of Mr. Michael McKendy, Senior Research Officer, Policy Development and Research Branch, as one of the principal authors of the Report.

The commitment to undertake a Review of the Unconditional Grant was made by Hon. Yvon R. Poitras, Minister of Municipal Affairs, in 1984. The objectives of the Review have been:

1) to assess whether the current grant adequately recognizes the responsibilities and fiscal capabilities of the Province and municipalities.
2) to assess whether the current formula is a legitimate expression of the principles on which it is based.
3) to propose alternative formulae or modifications to the existing formula, assess alternatives and make recommendations for a revised grant formula.
4) to propose other changes in the current system of provincial-municipal fiscal transfers consistent with a recommended new Unconditional Grant.

The Review can be considered as part of an ongoing review of provincial-municipal fiscal arrangements in the Province. The primary focus of the Review has been on the allocation formula.

It was indicated at the outset of the exercise that the Review should not be perceived as a means of increasing the amount of funding to municipalities.

The Report reviews the evolution and current operation of the Unconditional Grant, analyses issues and proposes alternatives. It proposes that a new Unconditional Grant Formula be put in place and suggests other changes in related policies.

The Review has benefitted from input from all municipal associations in the Province including the Provincial-Municipal Council, Inc., the Cities of New Brunswick Association, the Towns of New Brunswick Association, the Association of the Villages of New Brunswick and the Municipal Administrative Officers' Association. Each of these associations invited presentations on the Review and made thoughtful suggestions on matters that should be addressed. In addition, municipal associations, municipalities and individuals identified issues that should be addressed and offered proposals respecting the Unconditional Grant through submissions, correspondence and comments. Particular mention should be made of the PMC-appointed Committee of Municipal Administrators who have served as the municipal voice in identifying issues and examining alternative means of addressing these issues both in a formal submission and in meetings. Members of this Committee were: Daryl Wilson, Robert Bouchard, Jos. Coté, Ed Dickinson, Robert Cooling, Pierre Laforest, Murray Watters, Raymond Belliveau, John Robison, Armand Bannister and Henry LeBlanc.

I must acknowledge and express our gratitude to the Directors and staff of the Department, especially to Mr. Gerald B. Hawkins, Mr. John Doucet, Miss Elise Butler, Mr. Gary Mersereau, Mr. Paul Inman, Mr. Douglas Neilson, Mr. Gerard Belliveau, Mr. Elmer Cronk and Mr. T. J. Jellinek, all of whom have contributed in some significant way to the analysis undertaken as part of the Review. Secretaries who have typed and retyped reports and tables deserve special recognization, in particular Mrs. Shirley Gillies.

The contribution of others, outside of the Department, have been most helpful. In this respect, particular recognition is due Mr. John Mallory and Miss Susan Butterfield, Department of Finance, Professor John F. Graham, Dalhousie University, Mr. David Perry, Canadian Tax Foundation and senior officials of Departments of Municipal Affairs in other provinces.

Finally, I must thank Mr. Pierre C. Marquis, Deputy Minister, and Mr. Henry Irwin, former Deputy Minister, for their advice, encouragement and support during the course of the Review.

While numerous people contribute to studies like these, the ultimate responsibility for errors or omissions must rest with the authors.

Respectfully submitted,

A. Lowell Boyle, Director
Policy Development & Research

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## PREFACE

The Unconditional Grant to municipalities has been an integral part of the overall system of provincial-municipal fiscal tranfers in New Brunswick for two decades. It is the dominant provincial transfer to municipalities and a major source of municipal revenue.

In recent years, municipalities have expressed a number of concerns respecting the Grant. In response the Minister of Municipal Affairs announced in 1984 that a Review of the Unconditional Grant would be undertaken by the Department.

A preliminary presentation on the nature of the Review was made to the Provincial-Municipal Council (PMC) in May, 1984. The statement made at the PMC meeting reflects the philosophy underlying the review and the approach taken.

> "Overall, the system of provincial-municipal fiscal arrangements in New Brunswick is sound. However, the Unconditional Grant which is the foundation of this system has undergone significant changes since it was originally introduced. It should, therefore, be assessed to determine whether it, in fact, properly reflects the principles on which it is based. The first basic question, then, is: Is it fair?
>
> The international, national and provincial economies have recently experienced the most severe recession since the 1930's. This has had a dramatic impact on government revenues and expenditures. This has occurred after governments had enriched social programming and when they are facing economic and demographic pressures in high-cost programs. The resultant impact on deficits and debt servicing costs has been amplified by borrowing at very high interest

rates. The absence of collective fiscal restraint by all governments can cause a recurrence of the past recession. The second question in the review of the unconditional grant - and the one that must apply to all government programs - is, then: Is it affordable?

Since the unconditional grant was originally instituted a number of other basic policy changes have been introduced. Some represent new conditional grants to municipalities. Others represent, in the view of some municipalities, changing the "unconditional" grant to a "conditional" grant. At the same time, the $1.50/$100 assessment provincial property tax which represented an important component of the system of provincial-municipal transfers introduced in 1967, is no longer levied on owner-occupied residential properties in municipalities. These factors suggest a thirdquestion: Is the current unconditional grant formula a proper reflection of the provincial-municipal fiscal balance in the Province?

All of the above reflects considerations respecting the current responsibilities of the Province, municipalities generally, individual municipalities, and their respective electorates. The key issues then are autonomy, responsibility and accountability."

During the Review, distinction has been made between the amount of grant funding as one issue and the way the grant funding is, in fact, distributed as another. The emphasis in the Review has been on the allocation formula. This reflects, in large part, the fact that the question of availability of grant funding generally involves basic tax policy and budgetary policy issues which can only be considered in their larger contexts.

The review process recognized that the study would be undertaken by the Department of Municipal Affairs in consultation with the Provincial-Municipal Council Inc. (PMC) as the municipal liaison. Submissions by municipalities and associations were

welcomed. The PMC appointed a sub-committee of the Municipal Administrative Officers' Association to serve as the primary point of contact for consultation with municipalities.

## INTRODUCTION

This report examines the Unconditional Grant provided by the Government of New Brunswick to municipalities in the Province. It was prepared in response to concerns of both the Province and municipalities.

The report focuses specifically on the Unconditional Grant. However, since the grant plays such a significant role in Provincial-Municipal Fiscal Arrangements in New Brunswick, changes in the grant will have implications for other aspects of povincial-municipal fiscal arrangements. The Review of the Unconditional Grant may, therefore, be considered as an integral part of a continuing review.

The objectives of the Review have been:

1. to assess whether the current grant adequately recognizes the responsibilities and fiscal capabilities of the Province and municipalities.

2. to assess whether the current formula is a legitimate expression of the principles on which it is based.

3. to propose alternative formulae or modifications to the existing formula, assess alternatives and make recommendations for a revised grant formula.

4. to propose other changes in the current system of provincial-municipal fiscal transfers consistent with a recommended new Unconditional Grant.

The report accepts as parameters that the Province intends to continue to provide a significant amount of funding to municipalities, and that these monies will be transferred unconditionally.

The report draws on previous studies carried out in the provincial government and on major reviews undertaken previously. The Minister of Municipal Affairs established at the outset of the exercise that the active involvement of municipalities was welcomed and that the Department would be consulting with the Provincial Municipal Council Inc. (PMC). The brief that the Council presented to the Cabinet Committee on Economic Policy and Programs in 1984 touched on general concerns of municipalities. The brief from the Sub-Committee of the Association of Muncipal Administrators on the Review and Study of the Unconditional Grant prepared following an early meeting with departmental officials addressed specific concerns respecting the Unconditional Grant.

Chapter One of the report is a brief overview of current Provincial-Municipal Fiscal Arrangements in Canada. It also contains a comparison of fiscal arrangements in New Brunswick with those in other provinces.

Chapter Two traces the evolution of the Unconditional Grant in New Brunswick. Implemented as a result of the Byrne Commission's recommendations, the current formula is essentially that recommended by the Task Force on Municipal Structure and Financing, commonly referred to as the Allen Report. This chapter documents the rationale for, and the recommendations of, both the Byrne Report and the Allen Report. It also comments on major subsequent changes and examines the current Grant.

Chapter Three examines the Unconditional Grant system and formulae, and Revenue-Sharing schemes used in other provinces. It includes comparisons of the amount of Unconditional Grant provided in the other provinces with grant support in New Brunswick.

Chapter Four establishes the groundwork for developing a new Unconditional Grant Formula. Initially, it postulates and examines some principles upon which an Unconditional Grant to municipalities should be based and the extent to which it meets these principles. It identifies and analyses issues respecting the Unconditional Grant. Subsequently, it considers fiscal matters including the fiscal position of the Province and of municipalities.

Chapter Five presents some alternative Unconditional Grant formulae and identifies desirable features of an Unconditional Grant formula for New Brunswick.

Chapter Six presents a Proposed Unconditional Grant formula for distributing funds to municipalities which contains the desirable features identified in the previous chapter.

Chapter Seven is an analysis of the impact of the proposed Grant formula.

Chapter Eight addresses issues related to implementation of a new Unconditional Grant Formula.

Chapter Nine assesses the autonomy of local government in New Brunswick.

Chapter Ten presents a summary of the Conclusions and Recommendations for a new Unconditional Grant system.

In the course of the Review, a number of subjects were addressed in more detail than presented in the document itself. Some of the more comprehensive analyses are presented in Background Papers undertaken as part of the review.

Background Paper Number One outlines, in a summary manner, the conceptual framework for inter-governmental transfers with particular emphasis on provincial-municipal transfers. This provides a context for considering the current Unconditional Grant and for any fiscal transfer system that might replace it.

Background Paper Number Two is an overview of the municipal structures and provincial-municipal fiscal transfer systems in other provinces.

Background Paper Number Three presents a profile of municipal expenditures in New Brunswick. It assesses the relative importance assigned to the various expenditure functions by New Brunswick municipalities.

Background Paper Number Four analyses the current Unconditional Grant formula and depicts the relative importance of each component.

Background Paper Number Five is an examination of the Municipal Property Tax Burden in New Brunswick.

Background Paper Number Six is a fiscal analysis of the current grant.

# CHAPTER ONE

## PROVINCIAL-MUNICIPAL FISCAL ARRANGEMENTS IN CANADA

### The Constitutional Status of Municipal Government in Canada

The organization of government in Canada, of course, has its basis in the British North America Act (now the Canadian Constitution Act, 1867). The Act divided powers and responsibilities between the federal government and the provinces with the provinces being assigned responsibility for matters that were considered at the time to be mainly of local concern. Each province was given authority to establish local governments and assign responsibilities to them.

In the Canadian context only the Government of Canada and the Provinces can be considered as autonomous governments. Each operate within a relatively clearly defined set of powers and responsibilities set out in the Constitution. This is not to say that there are not grey areas nor to say that there are not practical constraints, usually financial, on what any government may do.

Section 92(8) of the Act gives the provinces authority over "municipal institutions in the Province". Municipalities have no independent authority; only that assigned to them by the Province. Unlike the Government of Canada or the provincial governments, strictly speaking, there is no constitutionally

distinct municipal level of government. They are, to repeat an often-used phrase, "creatures of the provinces". H. J. Whalen offers a succinct commentary on the matter in The Development of Local Government in New Brunswick.

> "Under the Canadian constitution municipal authorities are not assigned an independent status. Legally speaking, municipalities do not possess constituent autonomy. Each province is empowered under section 92 of the B.N.A. Act to establish its own municipal system. Local authorities in New Brunswick, like those in all other provinces, are in consequence the creatures of the provincial legislature. The structure of local government may be changed at the will of the Legislative Assembly, and the powers assigned by delegation to municipalities may be altered or withdrawn. Depending upon the controlling statutes, municipal supervision may be exercised either by legislative act or merely by edict of the Lieutenant Governor-in-Council. Indeed, in a growing number of instances, power to direct or prohibit action by local authorities is assigned by delegation to a given minister, to a provincial board or commission, or even to a specific provincial official such as a Deputy Minister of Municipal Affairs or the Director of Community Planning."[1] The provinces, therefore, have the

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[1] H.J. Whalen, The Development of Local Government in New Brunswick, Fredericton, NB, 1963, p.103.

power to define the services that local governments are allowed or required to provide, the standards of services that are to be maintained and how they are to be financed.

On a more practical basis, however, while municipal governments do not possess the constituent autonomy of either of the two senior levels of government they represent, in fact, the third level of responsible government. This point is made emphatically by municipalities in New Brunswick and their counterparts in other provinces. It was identified also as a fact of Canadian life by the MacDonald Commission.

> "In terms of the lives that Canadians lead and the concerns they have, local government is a third order of government. To many, it is the most important order, dealing with matters of the most direct and immediate concern, and providing the most accessible and effective way to take advantage of many federal and provincial programs."[2]

The Commission noted further the emergence of what might be considered a fourth level of government.

> "Indeed, a fourth order of government has emerged: regional and metropolitan governments and authorities provide common services to citizens residing in a number of neighbouring local

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[2]Canada, Royal Commission on the Economic Union and Development Prospects for Canada, Report (Ottawa: Minister of Supply and Services Canada, 1985), Volume Three, p.373.

jurisdictions. This order, too, is a creature of provincial governments."[3]

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[3] Ibid., p.103.

**Municipal Organization and Financing in the Provinces**

Provincial-Municipal organization and financial arrangements vary from province to province. Generally the overall authority for direct control and supervision of municipalities rests with the Minister of Municipal Affairs. Other Ministers are responsible for the enforcement of various statutes, regulations and policies covering specific matters.

The following commentary touches only briefly on municipal organization and financing in the various provinces. A more detailed analysis is presented in Background Paper Number Two.

Municipal Organization

The variations in provincial-municipal arrangements among the provinces is evidenced by the fact there does not exist even a commonly used system of designating, much less defining, municipalities. Localities are defined differently across the country. They have divergent authorities and responsibilities.

Cities, towns and villages are the most common municipal divisions in the provinces. However, their size and responsibilities vary. In addition, various types of metropolitan areas, urban municipalities, rural municipalities, county municipalities and regional governments exist. In many instances, these latter types of municipalities represent second-tier levels of government, in some instances as taxing authorities, in others

as bodies with responsibilities for such "regional" activities as community planning. In most instances where a county system is in effect, the lower-tier municipalities are responsible for most of the "local" services provided to their residents. The county governments are primarily responsible for roads, homes for the aged and welfare administration. The larger urban centers are separate from the county for municipal purposes.

Ontario can be used as an example of a province that has both "lower-tier" and "upper-tier" municipalities, each with specified responsibilities. In Ontario there are 849 municipalities. The majority of these, some 811, are "lower-tier" or "local" municipalities including cities, towns, villages, townships and improvement districts, while the other 38 are "upper-tier" municipalities, including counties and regional municipalities.

## Allocation of Expenditure Responsibilities

The differences in provincial-municipal arrangements across the country are also evident in the allocation of responsibilities between the provinces and their respective municipal units. In many instances, the allocation of such responsibilities has changed over time in response to public demands and costs associated with various services. Since there are so many variations in provincial-municipal fiscal arrangements in Canada, few general observations can be made.

Some provinces, like New Brunswick, have accepted education, health and welfare as totally provincial responsibilities. Other provinces have assumed certain responsibilities in these and other fields. Still other provinces leave the responsibility for these fields to the municipalities but financing is provided by the Provinces through various types of fiscal transfers. Similarly, there is a wide variation in the types of grants used among the provinces. Generally, Conditional Grants are predominant with Unconditional Grants representing a relatively small proportion of municipal budgets. The difference between the two is that there are usually "conditions" attached to the receipt of Conditional Grant funding while no such conditions apply to Unconditional Grants.

Generally, then, the provinces fall into two categories. In the first category, which is most common, the responsibility for the education, health and welfare functions rests either with municipalities or local boards. The property tax is the primary service of municipal revenue and is used to finance traditionally local services, but also to supplement funding for certain other services such as education, welfare, etc. In those provinces where there is more than one tier of municipal government, the property tax is levied at each level. Assessment is commonly not centralized nor standardized across the provinces.

In the second category, responsibility for the major expenditure functions noted earlier is more centralized. New Brunswick, of course, falls into the second category. As part of this system the Province and municipalities share the property tax field with the entire system based on uniform assessment and tax collection carried out by the Province.

**Provincial-Municipal Fiscal Arrangements in New Brunswick**

Municipal Organization in New Brunswick

In New Brunswick currently, there are 6 cities, 26 towns, 82 villages and 250 Local Service Districts (LSD's). While cities, towns and villages are fully organized municipalities with elected Mayors and Councils, Local Service District are represented by Advisory Committees which are elected at public meetings, but which serve only in an advisory capacity to the Minister of Municipal Affairs. Some 90 LSD's have established Advisory Committees. The other LSD's are administered entirely by the Municipal Services Branch of the Department of Municipal Affairs and Environment. In effect, then, the Minister of Municipal Affairs is indirectly responsible for the some 429,000 people who live in incorporated areas and serves as the "Mayor" for the 267,000 people who live in the LSD's.

Allocation of Responsibilities

Provincial-Municipal arrangements in New Brunswick differ from those in most other provinces. Responsibilities for "general services" including education, health, welfare and parts of the justice system are undertaken by the Province. These

services represent major expenditure responsibilities and are in provincial jurisdiction to allow uniform standards across the Province.

Responsibilities for "specific services" whose benefits accrue locally are undertaken by municipalities. The Municipalities Act lists the types of services that municipalities **may** provide. While municipalities have the right to provide various services, generally fire protection, street lighting and ambulance services, the **only compulsory service** is police protection.

The Act provides a considerable amount of latitude to municipalities. It states that a municipality may provide:

> "Any service deemed by the council to be expedient for the peace, order and good government of the municipality and for promoting the health, safety and welfare of the inhabitants of the municipality . . .[4] The specific services listed in the Act include drainage, sewage, sidewalks, roads and streets, regulation of traffic, community planning, streetlighting, water, parks, community services, tourism promotion and development, industrial

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[4]First Schedule, Municipalities Act, Chapter M-22, Statutes of New Brunswick.

development and promotion, urban development and promotion, housing, land assembly, recreational facilities, first aid and ambulance service.

In the Local Service Districts, the Province provides such "local" services as police protection, road maintenance and operation of "rural dumps". The costs of providing these services are partially offset by the provincial real property tax. The specific services cited in the Municipalities Act may also be provided in Local Service Districts if agreed to by the Minister of Municipal Affairs but they must be partly financed by the residents.

Municipal Revenues

Three sources of revenue finance the gross budgets of municipalities in New Brunswick: non-tax revenues, the Municipal Warrant and the Unconditional Grant. The Municipal net budget, which is simply gross budget less non-tax revenue, therefore, is financed only by the Municipal Warrant and the Unconditional Grant. The net budget can, however, be influenced by non-tax revenues since an increase in non-tax revenues will reduce the net budget and a decrease will increase it.

Local Non-Tax Revenue is revenue which is derived locally by a municipality from the earnings of public utilities and other revenue-earning enterprises, income from rental of property or investments, fees charged for licences or permits and fine revenues. The sale of services or rental of a municipality's property may be to other municipalities. For example, a

municipality may choose to pay for the services of police protection, ambulance service or fire protection from another municipality rather than purchasing their own equipment and hiring their own personnel. It may also involve providing the service to L.S.D.'s, in which case the Province pays for the service. The sale of services or rental may also be to individual or various organizations such as non-profit groups. This includes the sale of police escort services, public transit, garbage collection, the rental of municipal facilities such as community halls, swimming pools or arenas. On average, the revenue from local non-tax sources represents approximately 9% of a municipality's revenue. The relative importance of non-tax revenues and the composition of such non-tax revenues varies among municipalities.

The Municipal Real Property tax is the major source of own source revenue for New Brunswick municipalities. Assessment and collection are carried out by the Province as a service to municipalities.

The Province carries out uniform assessments based on true market value and sends out the tax bills based on the rate established by the municipality as the municipal warrant. The entire warrant is paid to municipalities regardless of the success of collections. Until 1983, the Province did not charge for assessment nor for arrears and non-collectible taxes but since that time levies a charge equal to $.02 per $100. of assessment to partially cover those costs.

The Province's assessment system classifies properties into three groups: Residential owner occupied;

Residential non-owner occupied; and,

Non-Residential.

Since the non-residential Real Property tax rate is one and a half times the residential rate, the owners of a non-residential property pay a proportionately higher tax than the owner of a residential property of the same value. The sum of the property assessment in municipalities for:

1) Residential owner-occupied properties;

2) Residential non-owner occupied properties; and,

3) 1.5 x Non-Residential properties

yields the Tax Rate Denominator used in the determination of the municipal residential tax rate.

A provincial real property tax of $.65 per $100. of assessment on owner-occupied principal residences in Local Service Districts is levied by the Province to partially offset the provincial expenditures noted earlier. The total rate on such properties in the L.S.D.'s is the $.65 per $100 assessment plus the local rate. The provincial real property tax rate applies on all other properties in L.S.D.'s. In these instances, the Province pays an Unconditional Grant of 45 percent of net expenditures while the balance is financed through the Local Warrant.

Table 1 outlines the provincial and local taxes that currently apply on Owner-Occupied Residential Property, other Residential property and Non-Residential property in New Brunswick.

Table 1
Real Property Tax Levies in Municipalities and Local Service Districts in New Brunswick
$ per $100 Assessment, 1985

| | PROVINCIAL | | | LOCAL | |
|---|---|---|---|---|---|
| | Provincial Property Tax | Provincial Property Tax Credit on Owner-Occupied Principal Residence | Effective Provincial Rate | Local Rate (LR) | Supplementary School Board Rate (SSBR) |
| **Municipalities** | | | | | |
| Owner-Occupied Residential | 1.50 | 1.50 | 0 | + LR | + SSBR |
| Other Residential | 1.50 | 0 | 1.50 | + LR | + SSBR |
| Non-Residential | 2.25 | 0 | 2.25 | +(1.5LR) | +(1.5SSBR) |
| **Local Service Districts** | | | | | |
| Owner-Occupied Residential | 1.50 | .85 | .65 | + LR | + SSBR |
| Other Residential | 1.50 | 0 | 1.50 | + LR | + SSBR |
| Non-Residential | 2.25 | 0 | 2.25 | +(1.5LR) | +(1.5SSBR) |

Source: Assessment Branch and Policy Development and Research Branch, Department of Municipal Affairs and Environment, Province of New Brunswick.

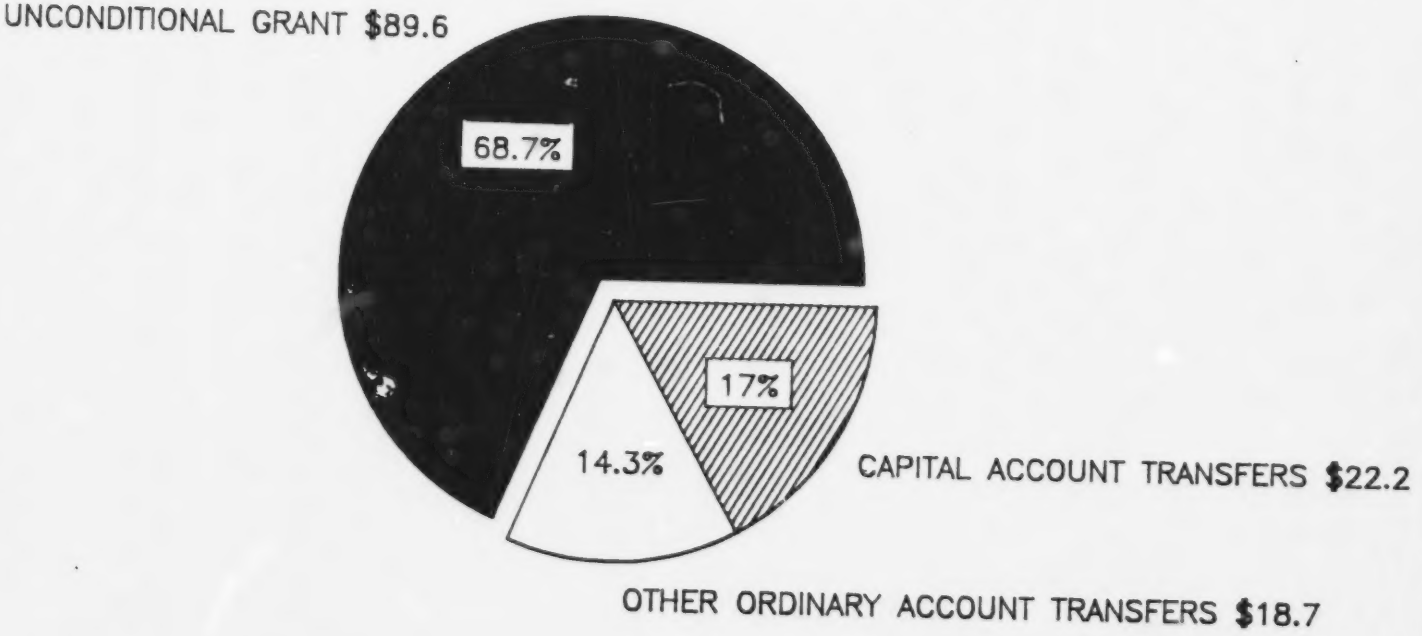
## Provincial-Municipal Fiscal Transfers in New Brunswick

Major Provincial-Municipal Fiscal Transfers in New Brunswick are presented in Table 2. The dominant role of the Unconditional Grant in transfers from the Province is clearly evidenced in the table. The Unconditional Grant constitutes more than 80 percent of Ordinary Account transfers from the Province to municipalities and almost 70 percent of all (Ordinary and Capital Account) transfers.

The Unconditional Grant is similarly important to municipalities. Currently it represents, in total, more than 41 percent of municipal net budgets and as much as two-thirds of the budgets of certain municipalities. Generally, the grant to municipalities is based on the equalization principle, providing the greatest support where fiscal need is greatest. As noted above, the Unconditional Grant to LSD's is equal to 45 percent of their net budgets for local services.

The Stimulation Grant, which provides for provincial financial support for capital projects, is the other major form of general financial assistance to municipalities provided by the Department of Municipal Affairs and Environment. The grant is intended to reduce the amount of borrowing required for a particular project. Generally, priority is assigned in the Stimulation Grant program to projects for newly amalgamated or annexed areas to assist in developing or improving services. Priority projects include water systems, roads and streets in villages and fire protection. In recent years, the program has provided assistance for a variety of projects including: water

# ROLE OF THE UNCONDITIONAL GRANT IN PROVINCIAL FINANCE
## NEW BRUNSWICK
## 1984 – 1985




SOURCE: DEPT. OF MUN. AFFAIRS.

CHART 1

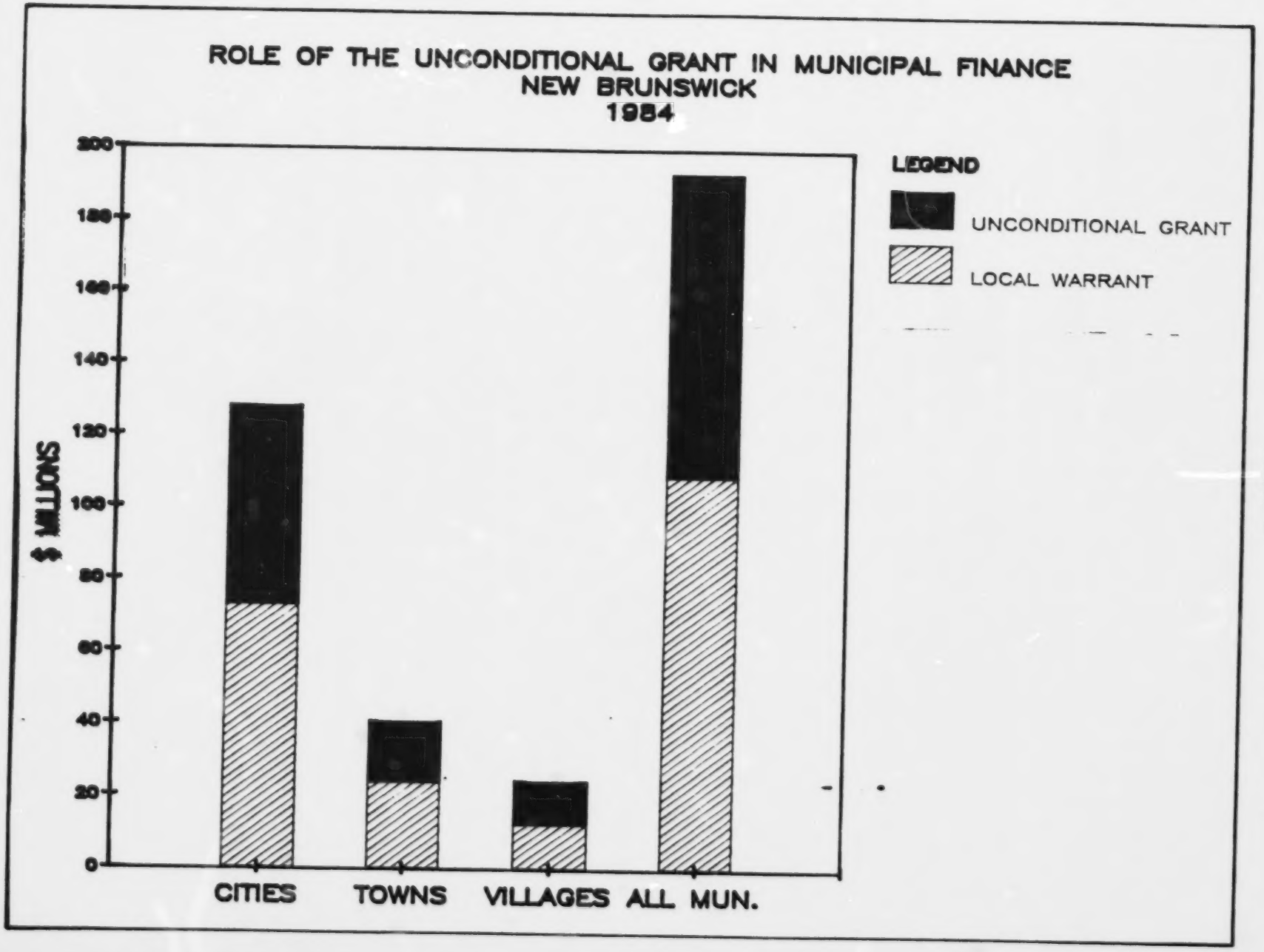

ROLE OF THE UNCONDITIONAL GRANT IN MUNICIPAL FINANCE
NEW BRUNSWICK
1984
$ MILLIONS
200
180
160
140
120
100
80
60
40
20
0
LEGEND
UNCONDITIONAL GRANT
LOCAL WARRANT
CITIES
TOWNS
VILLAGES
ALL MUN.

CHART 2

supply and distribution systems; road, street and sidewalk construction and upgrading; purchase of municipal vehicles; purchase of property and construction of municipal buildings and facilities; and development of a municipal financial information system for smaller municipalities.

Financial assistance for construction of water and sewage systems had been a priority of the Stimulation Grant program since it was introduced in 1974. With the inception of the Water Pollution Control Grant program in the former Department of the Environment in 1982, however, funding for all sanitary street sewage collection formerly funded under the Stimulation Grant Program was transferred to the new program. This transfer amounted to $2,000,000. in 1982-83, the first year for the new program.

The three grant programs in the Department of the Environment in 1984-85[5] constitute provincial financial assistance presented in Table 2 provided for pollution abatement. Eligible projects include trunk sewage collectors, sewage treatment facilities and municipal street sewers. The municipal sewage grant program is the "old" grant which provided for financial assistance for debt retirement of municipal bonds issued for the construction of sewage treatment systems. The Special Stimulation Grant is also one of the "old" grants. It provides financial assistance to municipalities for sewage projects. The amount of

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[5]These programs are now part of the new Department of Municipal Affairs and Environment.

the grant is calculated on an annual basis and is related to the amortization costs of water and sewage systems and maximum annual user charges agreed to in contracts. The Water Pollution Control Grant, noted above, is a capital upfront grant based on current sewage debt financing charges. The amount of assistance varies. Municipalities with a small sewer debt receive less assistance, a minimum of 50%, while those with a larger per capita debt receive a maximum contribution of 80% of eligible capital costs.

The three transfers noted under the Department of Commerce and Development in 1985 include the contribution of the Province towards the twelve Regional Economic Development Commissions, contributions for Main Street[6] and for the support of industrial infrastructure principally in industrial parks.

The allocation of responsibilities for roads in the Province is an important component of the provincial-municipal fiscal arrangements in the Province. Under the Designated Highways Program, Municipalities are directly compensated by the Department of Transportation for certain costs for municipal streets that are classified as Provincially designated highways. In these instances, the Department of Transportation pays municipalities for construction, maintenance and snow control for Provincially designated highways or carries out this function itself. The latter case applies mainly to villages.

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[6]The Urban Core Program of which Main Street is a part, is now administered by the Department of Municipal Affairs and Environment.

## MAJOR PROVINCIAL-MUNICIPAL FISCAL TRANSFERS, NEW BRUNSWICK

### 1984-85

### TABLE 2

### $'000

| TRANSFERS | ORDINDARY | CAPITAL | TOTAL |
|---|---|---|---|
| **DEPARTMENT OF MUNICIPAL AFFAIRS** | | | |
| Unconditional Grant | 89,589.5 | | 89,589.5 |
| Stimulation Grant | | 4,500.0 | 4,500.0 |
| Financial Assistance for Land Use Plans | 551.3 | | 551.3 |
| Prov. Operated Water & Sewage System* | 550.0 | | 550.0 |
| **DEPARTMENT OF THE ENVIRONMENT** | | | |
| Municipal Sewage Grants | 9,071.2 | | 9,071.2 |
| Special Stimulation Grants | 840.0 | | 840.0 |
| Water Pollution Control Grants | | 8,305.0 | 8,305.0 |
| **DEPARTMENT OF COMMERCE AND DEVELOPMENT** | | | |
| Regional Economic Development Commissions | 1,290.0 | | 1,290.0 |
| Main Street Program | 450.0 | | 450.0 |
| Industrial Infrastructure | | 1,600.0 | 1,600.0 |
| **DEPARTMENT OF TRANSPORTATION** | | | |
| Designated Highways: Summer Maintenance and Snow Control | 6,530.0 | | 6,530.0 |
| Designated Highways: Contruction | | 7,200.0 | 7,200.0 |
| | 108,322.0 | 21,605.0 | 130,477.0 |
| Warrant** | 115,974.3 | | 115,974.3 |

* Fully recovered through user fees.
** Municipal Real Property Tax collected by Province.

## CHAPTER TWO

## EVOLUTION OF NEW BRUNSWICK'S UNCONDITIONAL GRANT FORMULA

An understanding of the current Unconditional Grant system in New Brunswick is necessary if modifications in that formula are to be considered. This involves an understanding of the actual workings of the Formula. More importantly, however, it involves an awareness of the objectives and principles underlying the formula when it was initially put in place, an appreciation of the changes in the formula over time, the rationale for these changes, the impact of these changes relative to the program as originally conceived and the changing objectives of the program.

### Report of the Royal Commission on Finance and Municipal Taxation in New Brunswick

A system of grants, called subsidy payments, to New Brunswick municipalities had been in place for some time when the Royal Commission on Finance and Municipal Taxation, commonly known as the Byrne Commission, was formed. The Byrne Commission, in its examination of the subsidy payments, concluded that they had "disastrous shortcomings". The reasons underlying this conclusion are evident in the following quotation.

> "These shortcomings are, in general, that there is no rational basis for them; and in particular that they are not related to need in any systematic way; they do not take into account the differences in fiscal capacity of

> the municipalities; they provide no incentive to efficiency and place no curbs on extravagance, and they provide a most undesirable inducement to unorganized communities or villages to press for town status and for towns to press for city status and for municipalities to try to annex adjacent areas simply to obtain the required population for higher grants, rather than annexation and amalgamation being considered solely on their true merits."[7]

The most pressing concern that the Commission had with the old system was the glaring inequity in the range of tax rates applied by municipalities.

**The "Byrne" Recommendations**

It was predictable that an Unconditional Grant program would come into effect as part of the Equal Opportunity Program in 1967 given the broad mandate assigned to the Commission. It was given authority to inquire into all matters "relating to public or municipal fiscal matters within the Province of New Brunswick". A primary orientation was to realign provincial and municipal fiscal responsibilities and financing with particular emphasis on making comparable quality services available

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[7] New Brunswick, Report for the Royal Commission on Finance and Municipal Taxation in New Brunswick, Fredericton, New Brunswick, 1963, p.274.

throughout the Province. One of the primary issues that the Byrne Commission was directed to address was the worsening fiscal situations of a number of New Brunswick municipalities.

The situation that existed in the early 1960's was one where the industrialization process had resulted in wide variations in the property tax, the primary source of local revenue. These differences in the tax base meant that service levels comparable to those in other municipalities could only be provided by poorer municipalities if they were to impose a significantly higher tax burden than in more prosperous communities. Municipalities also found themselves dependent on poll taxes and personal property taxes, taxes which tend to be highly regressive. Moreover, the poll tax was completely arbitrary and unrelated to any accepted equity criterion. The personal property tax was difficult to administer and subject to considerable tax evasion. At the same time, significant discrepancies existed between the ratios of assessed values to market values for similar properties in municipalities.

The Byrne Commission recommendations established the context for a reallocation of provincial-municipal responsibilities and a new provincial-municipal fiscal arrangements' system in New Brunswick. While not all of the recommendations were adopted by the Provincial Government of the day, several of them were.

Significant among the Byrne Commission recommendations that were accepted were those related to the responsibility for "general" services, mainly to people, and "specific" services,

mainly to property, the implementation of a standard assessment system across the Province, a realignment of taxing powers, reallocation of responsibilities for major government functions and a redefinition of the property tax base. County councils were abolished, a number of municipalities formed and unincorporated areas designated as Local Service Districts to be administered by the Province.

The Byrne Commission distinguished between two types of public services. Firstly, they identified services of a local nature, which benefit mainly the residents of a small, well-defined geographic area. Services such as street lighting, fire-fighting, and snow removal are of this type. Secondly, they identified "general" services with significant spillovers. Services such as education, hospitals and public health, social welfare and administration of justice are of this type. These services affect a much larger population. The benefits accrue outside of a small jurisdiction. The services are sufficiently important that they should be provided at standard service levels across the Province. Also the demand for these services grows dramatically as communities become more urbanized. Unless the tax base or the rate of property tax grows accordingly, the demand for such services out-paces the financial capacity of communities. The Byrne Commission recommended education, hospitals and public health, social welfare and administration of justice be under provincial jurisdiction. Services of a local nature were to continue to be determined by local option. This represented a fundamental re-alignment of responsibility.

A major source of discontent with real property taxes at the time was the inconsistent standard of assessment. To ensure uniform assessment practices, the Byrne Commission recommended that a central agency be established to determine the value of all real property in New Brunswick. In this connection, the Byrne Commission also recommended that the collection of real property taxes be centralized. Central collection was seen as a means of facilitating a reduction in administrative costs without impinging on local freedom to set the level of real property taxes.

Given the legitimate needs of provincial and municipal governments, the Byrne Commission proposed a tax structure which was "more equitable" and "made more economic sense". The Byrne Commission recommended that the municipal tax structure be simplified so that each municipality would be empowered to levy real property tax and business assessment tax only. The outmoded poll and personal property tax were to be eliminated.

The Byrne Commission recommended that a portion of the standard program of education be covered by property taxes consisting of a uniform, province-wide rate on the full market value of all taxable real property, including business assessment. The rate of this tax was proposed to be $1.50 per $100. of assessment at market value. They suggested that the result as far as the standard school program is concerned, a family or business would make the same relative tax contribution, depending on assessment, irrespective of location.

The Byrne Commission recommended the restriction of real property taxes to land and buildings, thereby exempting all fixed machinery from local and provincial levies. To minimize inter-municipal tax competiton for business, the Commission recommended fixing the municipal rate on all business properties in cities and towns at $.50 per $100. of the market value of real property and placing a maximum of $.50 per $100. on the levy for local services elsewhere in the Province. The revenue from the municipal portion of the property tax would continue to accrue to the municipality of residence. In addition, business premises in common with all other real property would be subject to the province-wide public schools tax of $1.50 per $100. of assessed value. This meant a total tax rate on business property of $2.00 ($0.50 plus $1.50) per $100. assessed values in cities and towns.

In addition to property tax levied on the owners of real property, the Commission also recommended that there be an equal assessment to be known as the business assessment tax on the occupier of all business property, whether commercial or industrial.

The Commission established the principle of fiscal equity as the most important factor in the development of a new system of provincial-municipal fiscal arrangements. In framing its recommendations, it recognized that municipal governments in Canada are creatures of the provincial government who "depend for their existence upon functions delegated or assigned to them and revenue sources allocated to them by the Province." The Commission suggested that the municipalities must be considered

as agents of the Provincial government who should have the fiscal resources available to provide comparable standards of services to their citizens. To allow fiscal autonomy and to permit municipalities to determine the level of local service according to the desires of local residents, the Commission recommended a system of Unconditional Grants which would include as a feature, "full equalization of tax burdens necessary to support standard levels of local services in order to adjust for differences in fiscal capacity among municipalities".[8]

The system of Unconditional Grants proposed was based on a number of criteria established by the Commission. These included:

> "1) It must provide a substantial amount of revenue for all municipalities, so that with reasonable local property tax levies and efficient administration they could provide good standards of local services.
> 2) It must provide a sufficient degree of equalization so that all municipalities could provide a good uniform standard of local services with a similar tax burden.
> 3) The total grants received by the municipalities must be sufficient to enable them, on the average and with prudent but not parsimonious administration, to keep their levy on property at a reasonably low rate.

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[8] Ibid., p.124.

4) Municipalities with good administration should be rewarded by a lower local tax rate and municipalities with poor administration penalized by a higher local tax rate than would otherwise prevail.

5) There must be ample flexibility so that municipalities could provide as high levels of local services as they wished providing they were prepared to pay for them with higher tax rates.

6) There must be no incentive in the grants structure for a locality to change its status, that is, for an unorganized community to become a town or a town to become a city."[9]

Of these criteria, 1),2), 3), and 6) were accepted by the government of the day as the basis for the new system.

It is important in considering the Unconditional Grant proposed that it was seen as a means of maximizing local fiscal autonomy because it contained both the feature of providing a flat rate grant while at the same time having an equalization element. The Byrne Commission proposed a system of Unconditional Grants as opposed to Conditional Grants because the restrictions were considered to be "quite inappropriate when the grant is made for local services, which are almost entirely the concern of a particular municipality and its residents."[10] The one exception

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[9] Ibid., p.274.

that they noted was the desirability of a form of conditional grant, a stimulation grant, for a particular service such as sewage facilities which would provide spillover benefits outside the locality.

The "Byrne" Formula

The "Byrne" Formula was based on a book by Professor John F. Graham, Fiscal Adjustment and Economic Development: A Case Study of Nova Scotia.[11] Dr. Graham was a member of the Commission's staff.

The Formula based the Unconditional Grant on classes of municipalities. There were two components to the grant: a flat rate per capita grant and an equalization grant.

The classification of municipalities was based on the rationale that the range of services and the cost of providing them varies with the size of the municipality. For each group, a "standard expenditure" and an equalization formula was applied. The classifications were as follows:

> Group A, comprised of those cities with a population of 20,000 or more, including Saint John, Moncton and Fredericton;

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[10] Ibid., p.275.

[11] Graham, John F., Fiscal Adjustment and Economic Development: A Case Study of Nova Scotia, University of Toronto Press, 1963.

Group B, comprised of the other cities and the larger towns;

Group C, the other towns;

and, (proposed but not implemented)

Group D, the villages.

Finally, they suggested that, over time, the formula should apply to Local Service Districts.

The first step in the calculation involved the determination of expenditures per capita on local services for each municipality in the group. While a three year average was used in the calculations in their report, the Commission recommended that current data be used to implement the proposed formula.

The second step in the process was to calculate the standard expenditure per capita for each group of municipalities. The calculation of the "standard expenditure" simply involved multiplying the average expenditure per capita for each group by the population of each municipality in each group. This standard expenditure was used as the basis for determining both the flat rate grant and the equalization grant components of the Unconditional Grant.

The next step in the Byrne Formula calculation was to determine the flat rate component of the grant. This amount was simply determined to be 40% of the standard expenditure for each municipality. The basis for the 40% was that flat rate grants of

this magnitude when combined with the equalization grants would bring the combined local and school (property tax) rates on average to about $2.00 per $100. of assessment. Based on the acceptance of their recommendation that a provincial "school" tax, in fact, a provincial real property tax of $1.50 per $100. of assessment, they proposed that the municipal tax rate should not exceed $.50 per $100. of assessment and that the total rate applied by the two levels of government should "not greatly exceed $2.00 per $100."

The equalization component of the grant was calculated on the balance, the 60%, of the standard expenditure. The actual calculation of the equalization component was based on the municipal tax base as a measure of fiscal capacity. The first step involved determining a ratio of the balance of standard expenditure to the tax base. Subsequently, the ratio so determined was multiplied by the actual municipal tax base to determine the municipal share of standard expenditure. The equalization grant then became simply the difference between the balance of standard expenditure and the municipal share of standard expenditure. As can be seen in the Table, municipal net expenditures less the provincial grant determines the amount of the municipal warrant and therefore the local tax rate.

In considering the Byrne Formula, it is important to note that the Formula as proposed was not applied to all towns and that no estimates were done at the time of the impact on villages since the villages were only to come into being as a result of the Commission's recommendations. Similarly, it should

be noted that the Commission proposed that the Unconditional Grant Formula be applied also to local service districts but suggested that if this were not done the provincial government pay only the flat rate grant of 40% of expenditures. The latter alternative was accepted and introduced. The final point that should be made respecting the Unconditional Grant system proposed by the Byrne Commission was their recommendation that the provincial share of any municipal budget should not exceed 70%.

**Report of the Task Force on Municipal Structure and Financing**

While it was a recommendation of the Byrne Report that an Unconditional Grant be instituted in the Province to provide a "foundation" for municipal financing in New Brunswick, the current grant formula, itself, is derived to a very great extent from the Report of the Task force on Municipal Structure and Financing, the so-called Allen Report. Acceptance of the Task Force's recommendations by the Province resulted in a fundamental revision of the formula in 1974.

The review of the Municipal Grant system in effect at the time was a major part of their terms of reference. The Task Force was given responsibility to review and make recommendations on:

"(a) The current municipal grant system provided in the Municipal Assistance Act and its effects upon municipal taxes.

(b) The co-ordination of services within a municipality, between municipalities and between municipalities and the province.

(c) A general policy of consolidation of municipal units.

(d) An examination of real property which is currently exempt from taxation under the Assessment Act with a view toward expanding or adjusting the tax base.

(e) The cost to small municipalities of maintaining the current system of municipal utilities and the desirability of establishing an alternative utilities organization on a provincial basis.

(f) The desirability of continuing the current system for establishing local service districts.

(g) Such other matters as the Committee feels are important."[12]

In its consideration of the Unconditional Grant, the Task Force took as a point of departure the view that "... the concept of the New Brunswick Grant system is far superior to the combination of grants to be found in other jurisdictions..." They concluded that the Province should retain part of the use of the property tax field and that the provincial grant to municipalities should continue to be unconditional.

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[12]Report of the Task Force on Municipal Structure and Financing, Province of New Brunswick, Fredericton, New Brunswick, 1972, page 1.

The Task Force summed up its views on the philosophy underlying an Unconditional Grant system as follows:

> "... grants from the Province to its municipalities must provide large-scale, continuing financial transfusions that meet two essential objectives that is, supplementation of municipal revenues and equalization of municipal circumstances. In our opinion the best form of grant to serve these two purposes is unconditional. And the requirement is to devise a grant formula that will accomplish both purposes with as much objectivity and precision as possible.
>
> ... Grants can be employed to encourage municipal expenditures in particular directions that the provincial authorities regard as desirable, without going to the lengths of ordering municipalities to develop services in stated ways to required minimum standards. Grants to encourage particular expenditures may be described as stimulation grants. They can be used to support provincially-chosen capital or current expenditures at the local level. Obviously, they must be conditional in form. If stimulation grants are to be provided at all, their use should, we believe, be carefully controlled, for otherwise they will tend to increase in variety and scope until they largely displace unconditional grants and, in the process, make inroads upon local autonomy.

One further form of grant assistance is favoured; this is a corrective grant whose object is to counteract the worst regressive impact of the real property tax upon residential taxpayers. Whether the grant takes the form of sharing the property tax burden with residential taxpayers, as under the basic shelter exemption, or provides rebates directly to taxpayers who can ill afford the full burden of property taxation, such a grant need not and, if properly designed, will not interfere in the slightest with municipal autonomy in budgeting and levying of taxes.

One final point is that the system of grants to municipalities should provide them not only with a sufficiency of revenues but a stable, predictable flow of funds from the provincial treasury. Thus, while a provincial grants system requires periodic review and revision, changes should be relatively infrequent and should occur after ample notice in order that a grant does not create loss of face or become an obstacle to financial planning and a source of crippling dependency."[13]

The philosophy of the Task Force regarding an Unconditional Grant and its dominant role in Provincial-Municipal fiscal transfers in New Brunswick was to improve upon "the system" that had been in place since 1967 rather than to make

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[13]Ibid., p.53-54.

fundamental alterations. While the Task Force made significant recommendations for a new Unconditional Grant formula, it is important to recognize also that they made a number of other recommendations which had the effect of transferring certain responsibilities from the Province to the municipalities and others from the municipalities to the Province.

Significant in the first category were the following:

- that villages be required to accept the same service responsibilities as cities and towns;
- that public library services become a municipal function;
- that policing become a mandatory municipal responsibility.

Significant among the transfer of responsibilities from the municipalities to the Province was the recommendation that the Province assume full responsibility for construction and maintenance of provincially designated highways.

The Task Force also recommended significant changes in taxation policy and practice. Generally these recommendations had the effect of increasing the fiscal capacity of municipalities.

One of the observations made by the Task Force was that significant improvements had been made in assessment practices and in the availability of information since the Byrne Commission's recommendations had been instituted. They noted, in particular, that unlike the situation that existed when the grant

system was introduced, by 1974 real property in the Province was being uniformly assessed at market value. As a consequence, they observed that it was then possible to measure uniform tax effort.

The Task Force suggested that the Byrne Commission was overly ambitious in attempting to derive an Unconditional Grant formula. They noted that it was impossible, in 1967, to accurately measure fiscal need and that it would always be impossible to do so. They observed that to design desirable and obtainable service standards, and to measure the cost of delivering this package of services would require detailed analysis of the expenditures of each municipality. The Commission further suggested that the Byrne methodology of measuring fiscal need by averaging spending by classifying municipalities had significant shortcomings. They suggested that the groups were not representative and that there were significant divergencies in the size and in the essential make-up of municipalities within each group. They suggested that these differences were too significant to warrant the groupings used. The Task Force also observed that the use of average per capita expenditures could be questioned as could the methodology for determining the "standard tax rate". Finally, and significantly, the Task Force noted that while the equalization component of the Byrne Formula was intended to apply to villages, this had never occurred.

The Task Force illustrated their criticisms of the Grant Formula by noting the significant divergencies in municipal tax rates. They noted that in a number of instances the grant

payments to municipalities were determined not by either the unconditional flat rate grant or the equalization component but by the 70% grant support ceiling.

A particular concern was expressed over the lack of Provincial control over municipal expenditures in the Grant Formula. While new expenditures were not included in the calculation of the Unconditional Grant in the first year under the Byrne Formula, all increases in subsequent years, because of the averaging system used in the formula, were included. This had the effect of putting an upward bias in the Grant Formula. As a consequence any increase in expenditures in a particular municipality tended, over time, to result in an increase in the grant to all municipalities in a particular group.

The basis for the new Unconditional Grant formula proposed by the Task Force was that it should:

1) supplement the local tax base;

2) equalize municipal expenditures based on fiscal need; and,

3) establish a system of sharing of municipal budgets based on a proportion of actual net municipal expenditures (gross expenditures less non-tax revenues).

Accordingly, the Task Force recommended that a new Unconditional Grant Formula be implemented which would calculate the proportion of Provincial support of expenditures in a municipality based on the equalization of the municipal tax base by assessment per capita, assessment per road mile and that

graded population adjustments be made to provide for greater support of municipal expenditures in larger municipalities. The Grant formula based the share of net municipal expenditures on actual data for the previous year. They also recommended that the Assessment Branch calculate intercensal population estimates for municipalities to improve the accuracy of the population component used in the calculation of the Unconditional Grant. They recommended that the Grant be extended to cover all incorporated areas in the Province. With respect to Local Service Districts, the Task Force recommended that the Province continue to provide an Unconditional Grant to the LSD's based on 45% of their net expenditures.

As noted earlier, the Task Force recommendations resulted in a new Unconditional Grant but also in other significant changes in the allocation of Provincial-Municipal responsibilities and fiscal arrangements. The Task Force recommendations had the effect of broadening the tax base of municipalities and increasing their expenditure responsibilities. A consequence of these changes was that the percentage of Grant support provided under the new Unconditional Grant system did not have the same tax consequences as under the older system.

Another significant recommendation of the Task Force that had a bearing on the Unconditional Grant was related to the amount of provincial control over municipal budgets. The Task Force expressed concern over the growth of municipal expenditures and the lack of Provincial contol that existed at the time. While it debated the merits of proposing stringent Provincial

controls over municipal expenditures, it determined that this would represent a significant intrusion into the financial affairs of municipalities. Accordingly, the Task Force proposed changes in the municipal expenditures used in the calculation of the Grant, the Minister of Municipal Affairs retaining his authority to scrutinize municipal budgets, the institution of a form of partnership budgeting and the establishment of a Budget Review Board.

**Subsequent Amendments**

In recent years, three basic changes in the Province's Unconditional Grant have been made. These include the introduction of "revenue sharing" in 1977; the redefinition of shareable expenditures in 1981; and, legislated limits on the total amount of the Grant and net municipal expenditures.

In 1977, the Unconditional Grant was revised to incorporate a revenue sharing feature. The growth in the total Unconditional Grant was tied to the increase in the Province's Net Ordinary Revenue. At the same time, the 1977 net budget of each municipality was established as the shareable expenditure base to be used in determination of the grant. Each year the shareable expenditures for an individual municipality was adjusted by the increase in Net Ordinary Revenue noted above.

The 1981 amendments were introduced to offset some of the inequities that appeared to be developing in the allocation of the grants. Essentially, it appeared that municipalities with adequate or strong expenditure bases in 1977 were placed in a

better position than those which did not have an adequate expenditure base in that year. The shareable expenditure base was particularly inadequate for growing municipalities. In effect, a municipality experiencing growth in its tax base would receive less grant at a time when its expenditure needs would be growing to service the increase in assessment. The changes made in 1981 allowed municipalities, under prescribed conditions, to exceed the shareable expenditure base. Eligible municipalities could, therefore, receive grant support on these overages with the grant support phased in over a two year period.

The most recent change in the Unconditional Grant system was announced by the Minister of Municipal Affairs in 1983. At that time amendments were made to the Municipal Assistance Act which froze the 1984 Unconditional Grant to municipalities at the 1983 level and allowed a 6 percent increase for 1985. At the same time, significant restraint measures were being taken by other provinces in response to a worsening economic situation, a slowdown in own-source revenue growth and in Federal transfers, and increasingly difficult operating account deficits. In 1985, legislation was passed which provided for the increase in the Unconditional Grant to be determined by the Lieutenant Governor-in-Council.

While not amendments to the Unconditional Grant Formula, two other significant changes have occurred in recent years which have a bearing on the Unconditional Grant. The first, a policy decision and the second, a technical matter. Most significant among these is the introduction of a Provincial

Real Property Tax credit on owner-occupied residential property. A four year phase-out of the provincial real property tax on owner-occupied residential property, beginning in 1974, effectively abolished the provincial tax on such property in municipalities. The revenue cost of this measure to the province and the tax savings of provincial tax payers in 1986 amounts to some $74. million, nearly $58 million in the municipalities. While a tax rate of $.40 per $100. of assessment and subsequently $.65 was introduced in Local Service Districts, currently there is no real property tax applied on owner-occupied residences in municipalities. This tax measure has had the effect of opening up a significant amount of tax room to municipalities.

The other change that has occurred in recent years is of a technical nature, nonetheless it has implications for the Formula. The elimination of the Business Tax and the introduction of the non-residential real property tax rate in 1983 had the effect of changing not only the assessment system and the property taxation system but also the municipal tax base. The significance of this matter must be assessed in the context of the appropriate means of measuring municipal fiscal need in New Brunswick.

## How the Current Unconditional Grant Formula Works

### The Formula

The manner is which the Current Unconditional Grant formula works can perhaps best be seen in considering the dual objectives of the Grant.

Its first objective is to provide a significant source of revenue to municipalities in recognition of the fact that certain public services are provided, and perhaps can best be provided by local governments. Its second objective is to provide municipalities with sufficient fiscal resources to enable them to provide comparable standards of services without excessive taxation. This latter objective is virtually identical to that for the Equalization Grant provided by the Government of Canada to those provinces whose ability to generate revenues from their own tax bases is less than others.

Viewed in this way, the Unconditional Grant can be considered to have two components: 1) a block grant to provide a foundation for municipal finances; and 2) an equalization grant to equalize municipal fiscal capacities. Through the Unconditional Grant formula all municipalities receive a basic amount of Unconditional Grant support. This basic amount of Unconditional Grant support is adjusted according to their tax base, density and population

relative to all other municipalities. The graded population adjustment comes into play when a muncipality's population exceeds 5,000.

For the average small municipality with municipal assessment per capita at the average for all municipalities and municipal assessment per kilometer at the average for all municipalities, the unfactored percent of grant support would be 55.5% of their approved shareable expenditures. Of this amount some 44.4% is for the basic assessment factor and 11.1% is for the kilometerage factor. The lesser percentage accorded the kilometerage factor, of course, reflects the weight of one-quarter applied to it in the formula. The actual amount of the Unconditional Grant support provided is dependent also on the total amount of Unconditional Grant support available.

As a result of these factors a municipality with a strong tax base such as Belledune - a municipality whose assessment per capita or assessment per road kilometerage is greater than the average for all municipalities - will receive a percentage of grant support less than 55.5 percent. A municipality with a "weak tax base" will receive a percentage of grant support that exceeds the 55.5 percent. Pointe Verte is an example.

The formula works in exactly the same way for large municipalities except for the fact that the percentage of grant support is adjusted upwards for these municipalities according to the ratio of their population in excess of 5,000 to 200,000.

Annual changes in Unconditional Grant support are determined by the year to year changes in the same factors that determine the allocation of grant support among municipalities in any one year. The most important determinant is assessment. If assessment per capita and per road kilometer in a municipality increases more that the average for all municipalities the percentage of grant support declines. Whether the actual amount is less than in the previous year depends on the overall increase in Unconditional Grant funding.

Assessment, therefore, is the most important determinant in the current formula. The current grant formula is insensitive to population unless new Census population figures become available. Kilometerage is the least important component of the formula because of the weight of one-quarter applied to it. The approved shareable expenditures and the factor can be considered together. Growth in one is reflected in a decline in the other and vice versa. If growth is less that the increase in the total amount of grant funding available to municipalities. Local warrants and tax rates do not affect the grant in the current formula.

The calculation of the Unconditional Grant for New Brunswick municipalities involves three steps. The first step is a calculation which determines the percentage of grant support for each municipality. The second step is a determination of the amount of shareable expenditures in each municipality to which the percentage figure previously derived is applied. The third step, the determination of the grant, is determined by multiplying the percentage figure by the shareable expenditures and adjusting this for the amount of funding available.

The percentage of funding, or grant support, is computed by a formula which involves four calculations before arriving at the percentage figure. The first calculation is meant to equalize the municipalities on the basis of their taxable municipal assessment per capita. The calculation involves comparing the municipal assessment per capita for each municipality with the average municipal assessment per capita for all municipalities. This is essentially an equalization adjustment.

The second calculation takes into account road kilometerage in a municipality relative to its assessment compared to the same ratio for all other municipalities. Municipal kilometerage is defined for the purposes of the formula to be the number of municipally designated kilometers in each municipality plus one-half of provincially designated kilomters within the municipal boundaries. A weight of 25% is applied to the adjustment so derived.

It is important to recognize that the kilometerage adjustment is intended to provide compensation for the relatively higher per capita costs that result from a municipality being spread over a large geographic area. Kilometerage is simply a measure of density; the adjustment relates to all municipal costs, not just the costs of road construction and maintenance. Municipalities are directly compensated by the Department of Transportation for municipal streets that are classified as Provincially designated highways or carries out this function itself. The latter case applies mainly to villages.

The third adjustment, the graded population adjustment, is intended to reflect the higher per capita costs of providing services in those municipalities with large populations. The premise is that the per capita costs of providing municipal services increase as the size of the municipality increases. The graded population adjustment applies only to those 16 municipalities whose population exceeds 5,000.

Each adjustment is applied to the "Initial Municipal Grant Base" defined to be one per cent of the Municipal Assessment Base. The percentage of Grant support is the "Fully Adjusted Municipal Grant Base" divided by the sum of the "Fully Adjusted Grant Base" and the "Initial Municipal Grant Base".

The next step in the calculation of the grant is the determination of the amount of shareable expenditures to which the percentage figure is applied. Since 1984, the amount of approved shareable expenditures for a given year has been established by legislation - in the Municipalities Act - through the application

of an allowable annual growth rate. A "freeze" was imposed in 1984 and an allowable increase of 6 percent was established for 1985. In the 1985 Spring Session of the Legislature, an amendment was passed which provided for the increase in total Unconditional Grant funding and the increase in shareable expenditures in the following year to be established by Order-in-Council by August 31st of the preceding year.

The actual amount of the grant is determined by multiplying the amount of grant support by the ratio of the amount of grant funding budgeted by the Province to the amount that would be required if the grant were determined solely by the formula. The detailed 1985 grant calculation for cities and towns is presented in Appendix 3.

Components of the Grant Formula

The significance of the current formula and the rationale underlying it can be better understood if the formula is broken into its three main components. These can be identified as:

the Basic Assessment Adjustment;

the Kilometerage Factor; and,

the Graded Population Adjustment.

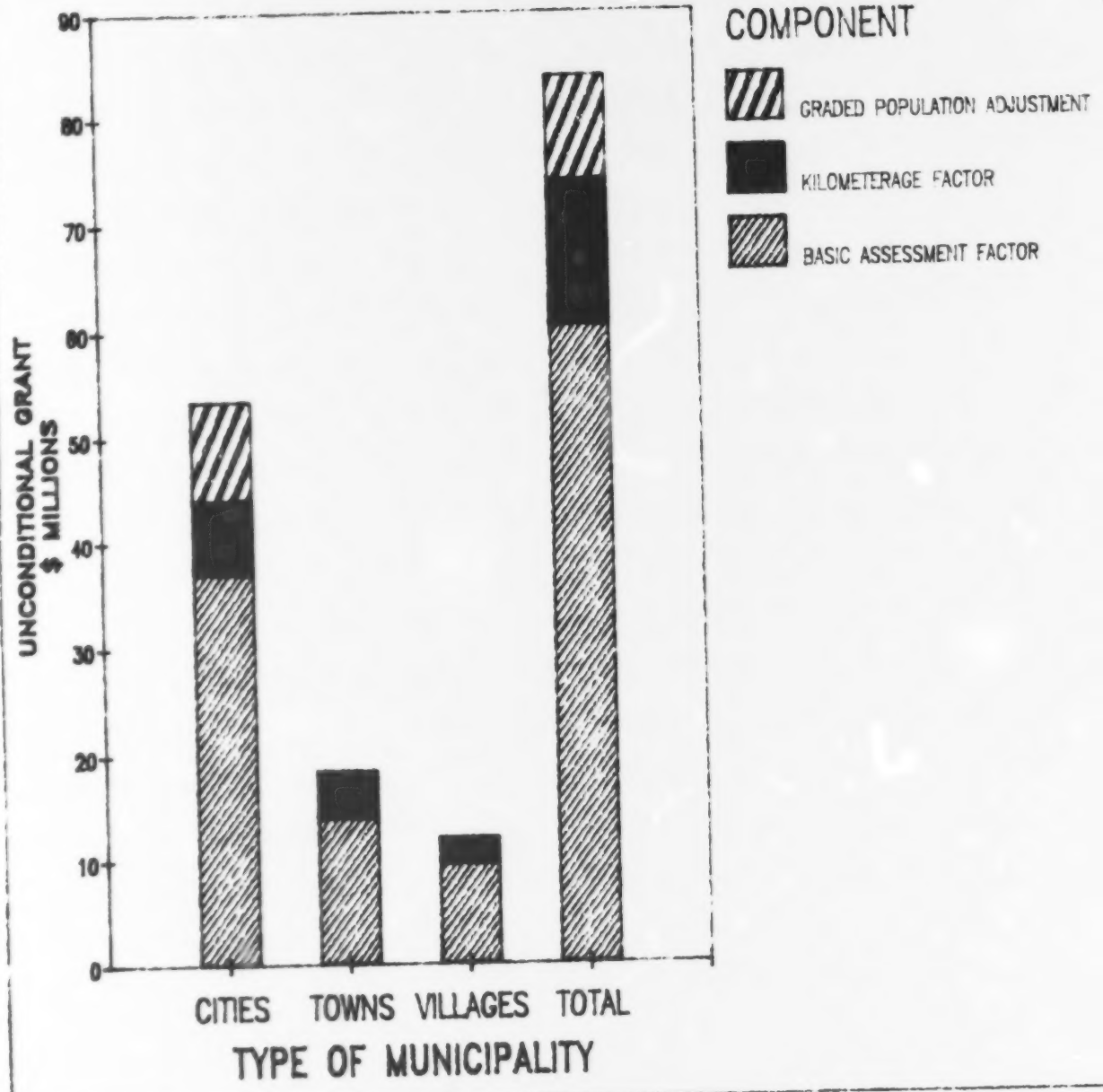
As noted, the formula starts from a premise that the Province wil cost-share approximately 55.5 percent of "Approved Shareable Expenditures", adjusted for the total amount of grant funding available.

An analysis of the Formula in this context clearly indicates the dominant role played by the Basic Assessment Adjustment. It is the most important single component of the Unconditional Grant Formula. Its importance is not surprising given that the objective of the Unconditional Grant is to equalize municipal fiscal circumstances and, therefore, allow each municipality to provide reasonable standards of local services to their citizens without imposing unduly high tax rates. It should be recognized, however, that this is not a pure equalization adjustment but rather an equalized allocation since a much smaller amount could, in fact, equalize municipal revenues.

The significance of the Basic Assessment Adjustment is evident in Chart 3 which indicates the amount of Unconditional Grant support by component for New Brunswick cities, towns and villages in 1984, respectively. The chart indicates that of the $84.7 million of Unconditional Grant funds distributed to New Brunswick municipalities in 1984 some $59.8 million was for this purpose. This amount represented some 70 percent of the Unconditional Grant funds distributed. About $13.5 million or 16 percent of the total was comprised of the funding for the Kilometerage Factor while the balance of $11.5 million and 13.5 percent of the total was for the Graded Population Adjustment.

CHART 3

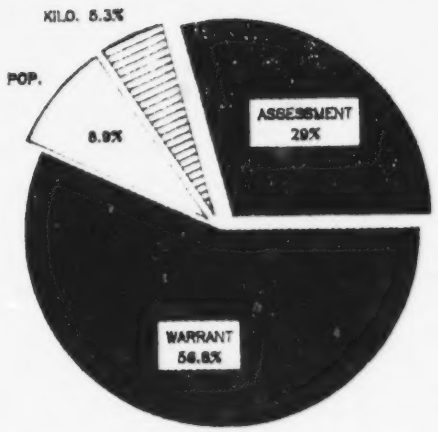
# AMOUNT OF UNCONDITIONAL GRANT BY TYPE OF MUNICIPALITY BY COMPONENT NEW BRUNSWICK, 1984



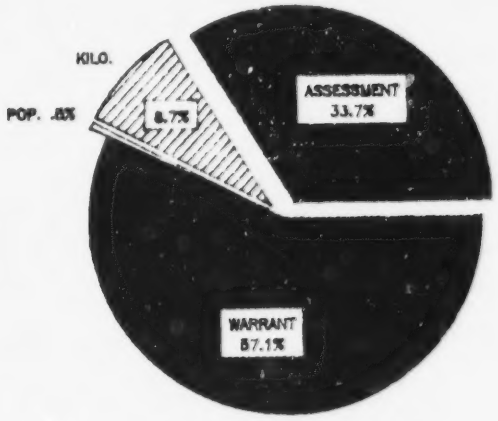
The relative importance of each of these components to cities, towns and villages, respectively, is more easily discerned from an examination of Chart 4 which indicates that the Unconditional Grant as a per cent of net budget expenditures was approximately 57% for both cities and towns and about 54% for villages in 1984. The makeup of the Grant varies widely across the three types of municipalities. In the cities the Basic Assessment Adjustment accounted for some 29% of net budgets, the Kilometerage Factor almost 5% and the Graded Population Adjustment, 9%. For towns the Basic Assessment Adjustment constituted about 34% of expenditures and the Kilometerage factor, 9%. For villages, the Kilometerage factor was greater than for either cities or towns; the graded population adjustment had no impact.

CHART 4

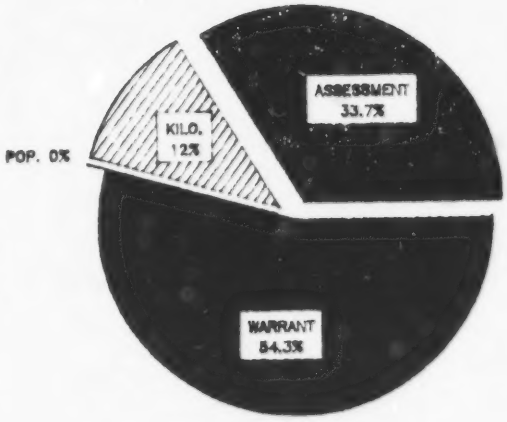
# AMOUNT OF UNCONDITIONAL GRANT, BY COMPONENT AS PERCENT OF NET BUDGET CITIES, TOWNS, VILLAGES NEW BRUNSWICK 1984



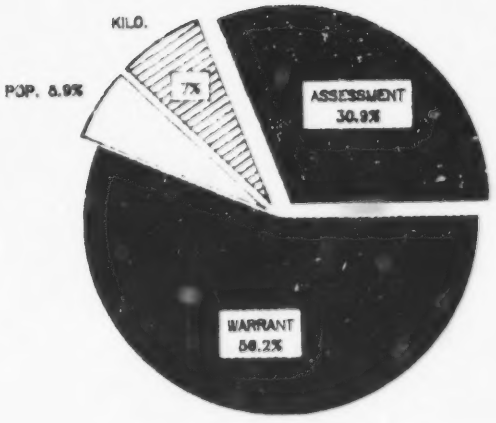

CITIES




TOWNS




VILLAGES




TOTAL

Examination of the relative importance of the types of grant support for the 114 municipalities in the Province simply confirms what was noted for the groups earlier. More specifically, it confirms that:

1) The Basic Assessment Adjustment is important to all municipalities with its importance ranging from providing 51.1 percent of grant support to Pointe Verte to Belledune where it provides 21 percent of grant support.

2) The Kilometerage factor is least important to the cities and most important to the villages. The Kilometerage factor provides 39.2 percent of grant support for both Alma and Gagetown. It provides, however, only 5.2 percent of grant support for Saint John.

3) The Graded Population Adjustment, because it applies only to municipalities with populations exceeding 5,000, of course, only provides grant support to large municipalities. It provides 13.2 percent of grant support for Saint John, 9.3 percent for Moncton, 6.8 percent for Fredericton. Oromocto, Dieppe, Chatham, Newcastle, Grant Falls, Quispamsis, Dalhousie and Sackville all receive less than one percent of the grant from the Graded Population Adjustment.

More detailed information on the calculation of the grant and the relative importance of the components to New Brunswick municipalities is presented in Background Paper Number 4.

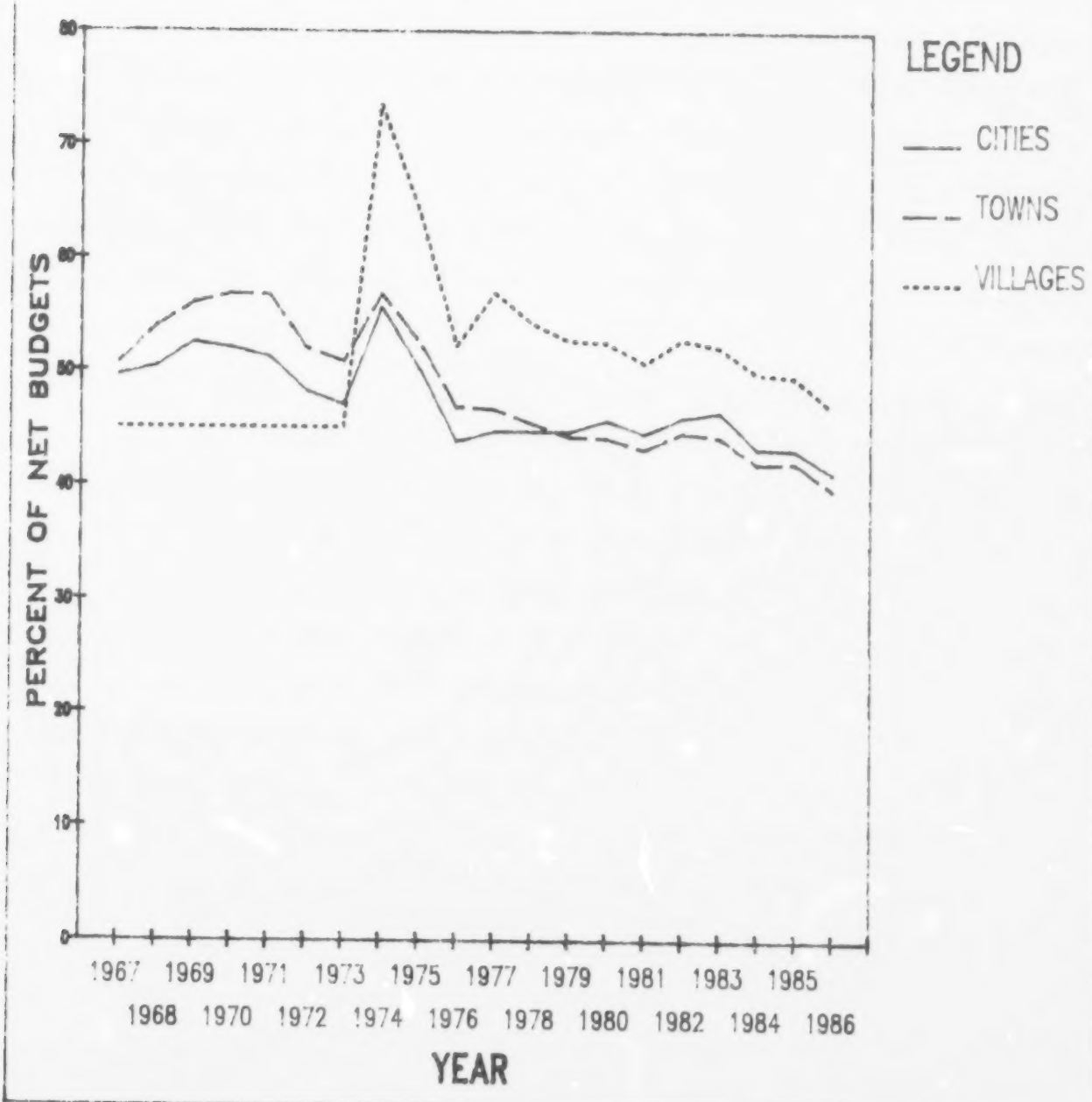
**Grant Support as a Percentage of Municipal Budgets**

The share of municipal budgets funded by the Unconditional Grant in New Brunswick has varied over time. As indicated in Chart , this share remained relatively stable at slightly more than 50 percent in the first five years of the 1967 grant program and then dropped in 1972 and 1973 before increasing to a peak of 57 percent in 1974, reflecting the increased grant support to municipalities as part of the Allen Report recommendations. In subsequent years, the grant funded approximately 46 percent of net budgets. The ratio currently stands at 41.4 percent. This reflects, in part, slow growth in Unconditional Grant funding in recent years and the elimination of provincially imposed limits on municipal budgets in 1986.

Similar trends are evidenced for the cities, towns and villages although the magnitudes differ. The most pronounced changes are evident in the share of the municipal net budgets of villages financed by the Unconditional Grant. In the 1967 to 1973 period, villages received Unconditional Grant support of 45 percent of their budgets, the same system as currently prevails for Local Service Districts. The sharp increase in 1974 represents the impact of the acceptance of the recommendations of the Task Force on Municipal Structure and Financing to provide Villages with grant support based on the formula rather than a straight 45 percent share of net budgets.

CHART 5

# UNCONDITIONAL GRANT SUPPORT AS % OF MUNICIPAL NET BUDGETS NEW BRUNSWICK 1967–1986



In 1986, the Province funded, on average, 41 percent of the net budgets of the cities, 40 percent in the towns and about 47 percent in the villages. The converse of the above is, of course, that cities funded 59 percent of their budgets on the Local Warrant, the towns 60 percent and the villages, 53 percent.

As indicated by the preceding commentary, the share of budgets of New Brunswick municipalities funded by the Unconditional Grant has tapered off in recent years. This must be considered in the context of the share of provincial expenditures allocated to transfers to municipalities. This analysis reveals that the share of the province's overall budget allocated to provincial-municipal fiscal transfers has remained relatively stable over the last five years. This is evident whether one considers such transfers as a percent of the Province's Gross Ordinary Expenditure, in total, or makes allowances for such expenditures as Service of the Public Debt or the Municipal Warrant (which is a "pass-through" in the provincial budget). The ratio of provincial transfers to Gross Ordinary Expenditures less Service of the Public Debt and the Municipal Warrant in 1985-86 was 5.3 per cent.

## CHAPTER THREE

## UNCONDITIONAL GRANTS AND REVENUE SHARING IN OTHER PROVINCES

This Chapter provides inter-provincial comparison of provincial-municipal transfers and examines the Unconditional grant formulae used in each of the Canadian provinces. A more detailed analysis is presented in Background Paper Number Two, Provincial-Municipal Fiscal Arrangements in Canada. In the description of the Unconditional Grant systems in each of the provinces, a chart is presented which compares the amount of Unconditional Grant received by a representative city, town and village in that province relative to Saint John, Woodstock and Cap Pele, respectively in New Brunswick.

The purpose of the analysis is to identify features of unconditional grant systems in the provinces that might be considered for New Brunswick. Since Provincial-Municipal fiscal arrangements in place in the various provinces vary widely, the Unconditional Grant Formulae used depend on the objectives and make-up of the overall system of Provincial-Municipal arrangements in place in each of the provinces. Moreover, in considering the applicability of any feature of provincial-municipal fiscal arrangements in other provinces to New Brunswick, particularly financing, one cannot lose sight of the fact that such systems represent the particular

traditions and characteristics of each province. There must be an awareness of the diversity of legislation, policy and practices of provinces and municipalities across the country.

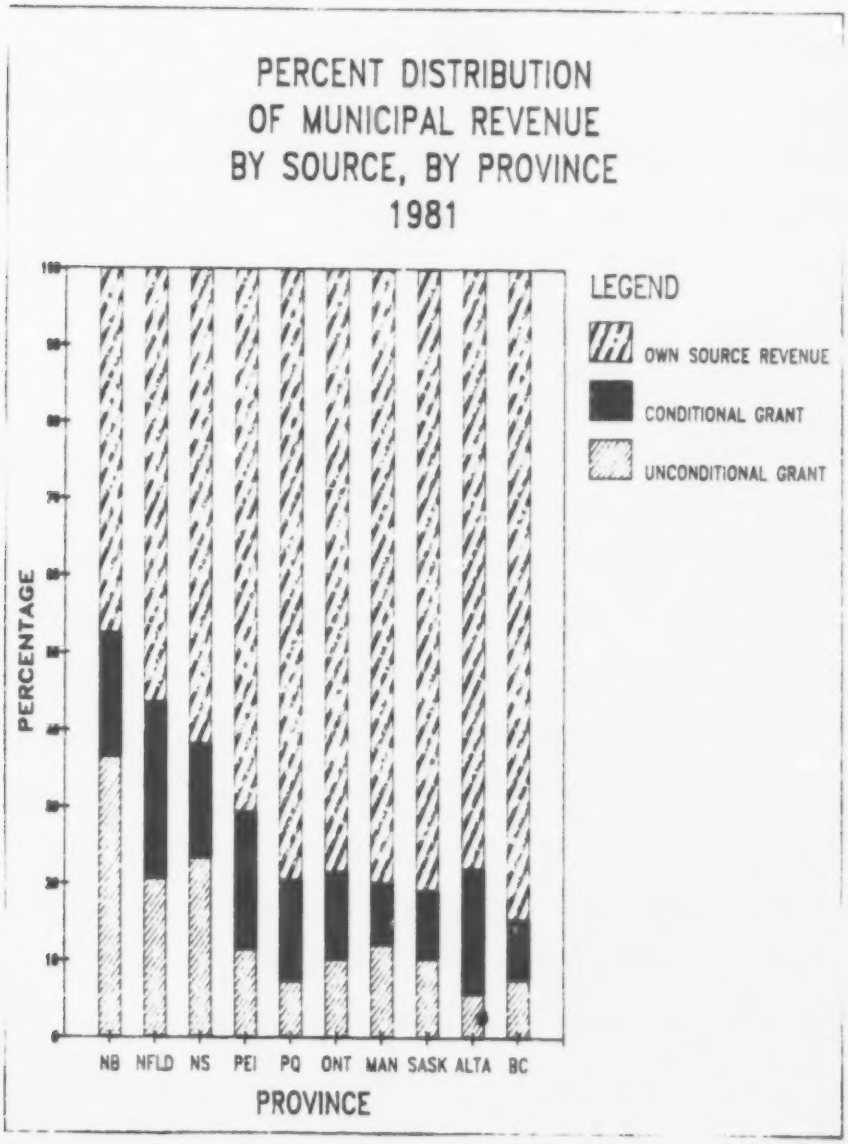
This diversity is reflected in the size of municipalities. It is interesting to note that the total population of New Brunswick, some 700,000 is roughly of the same magnitude as smaller or medium-sized cities elsewhere in Canada, and is, in fact, roughly equivalent to that of Edmonton. The relatively small size of New Brunswick municipalities by national standards is, in no way, a reflection of their importance but rather dictates a perspective within which one can examine transfer systems in other provinces. This small population, regional economic disparity and a large land area are all factors in the types of financing and delivery mechanisms most appropriate to certain public services.

**Inter-provincial Comparison of Provincial Municipal Transfers**

It is difficult to compare the relative importance of provincial-municipal transfers in the provinces because of the differing allocations of expenditure responsibilities and taxing authority. It is possible to approach comparability, however, if some adjustments are made to provide for a common definition of municipal revenues and expenditures. In the analysis that follows, allowances are made for the fact that education, health and welfare in New Brunswick are totally financed by the Province, whereas, in many other provinces these are local responsibilities. The analysis is based on the Statistics Canada

definition of total local revenues. However, deductions have been made for the Conditional Transfers from the other Provinces made to their municipalities or municipal organizations for education, health and welfare, as well as the corresponding expenditures for these functions. (See Chart 6)

**CHART 6**



The first observation that one can make based on this analysis relates to the relative importance of Unconditional Grants from the provinces to municipalities in the various provinces. Based on the adjusted figures it can be seen that New Brunswick provides funding for a significantly larger proportion of total municipal revenues through its Unconditional Grant than any other Province. This is not surprising and is generally recognized. It can be seen that based on the approach followed New Brunswick funds some 37.5% of municipal revenues through the Unconditional Grant. The only other provinces that come anywhere close to this amount are the neighbouring provinces of Newfoundland and Nova Scotia where Unconditional transfers constitute 28.7% and 12.9%, respectively, of total municipal revenues. In all other provinces Unconditional Grants provide between 6% and 12% of municipal revenues.

What is perhaps surprising is that, once inter-provincially comparable definitions of responsibilities have been established, Conditional Transfers in New Brunswick constitute a larger proportion of municipal revenues than in other provinces. Conditional Transfers as a percentage of municipal revenues funded by the Province in New Brunswick of 14.4% is greater than the Canadian average of about 10%.

In total, then, the proportion of municipal budgets funded by all provincial transfers in New Brunswick of about 52% is significantly greater than the 20% average in the other provinces. This is clearly evident when one considers the other side of the coin, the percentage of revenues funded by own source

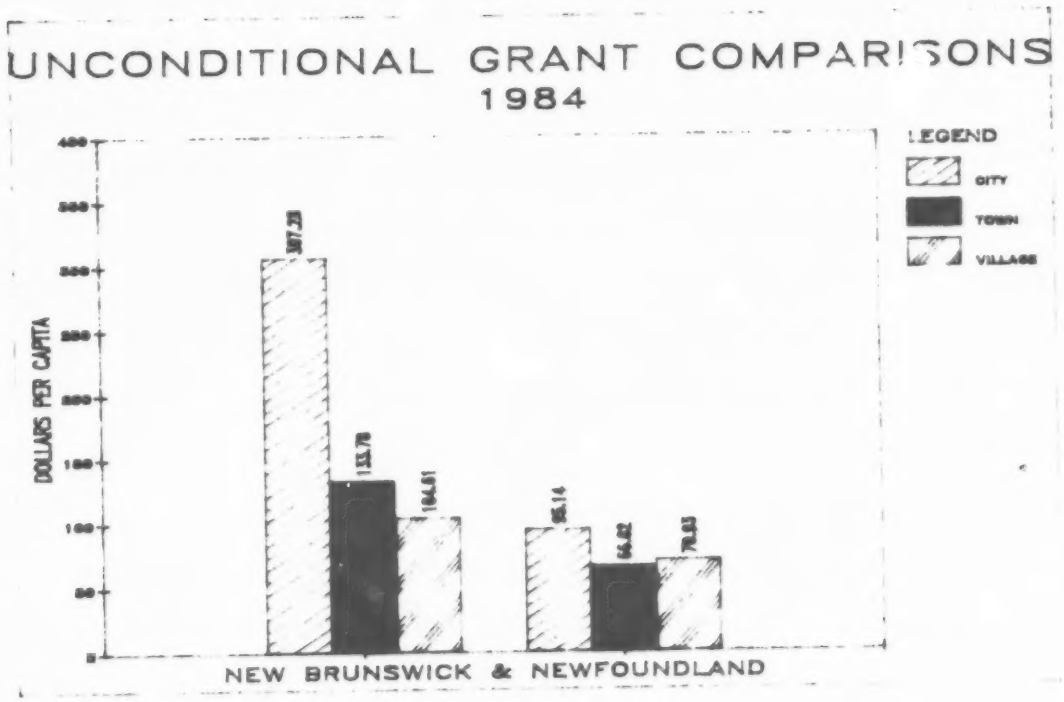
revenues. In New Brunswick, municipalities fund approximately 48% of their budgets from own sources. This compares to 79% for all provinces. In the other Atlantic Provinces the proportion provided by the Province to municipalities averages around 65%. In all of the other provinces, the ratio is around 80%. That these general observations hold true for all types and sizes of municipalities is evident in the charts comparing Unconditional Grants received by "representative" municipalities. The selected New Brunswick municipalities receive a significantly larger amount of Unconditional Grant than their counterparts in all the other Provinces. In fact, the Village of Cape Pele received more, per capita, than any of the other representative municipalities in other Provinces regardless of type.

**NEWFOUNDLAND**

The importance of the Unconditional Grant as a proportion of total Municipal revenues in Newfoundland municipalities varies widely depending on population size. The grant provides between 20% and 80% of municipal receipts depending on the size and characteristics of the municipality.

The Municipal Grants Act, enacted in 1980, forms the basis for the calculation of the unconditional grant assistance for Newfoundland communities. The Unconditional Grant contains two distinct elements: the General Municipal Assistance Grant and a Tax Incentive Grant.

CHART 7



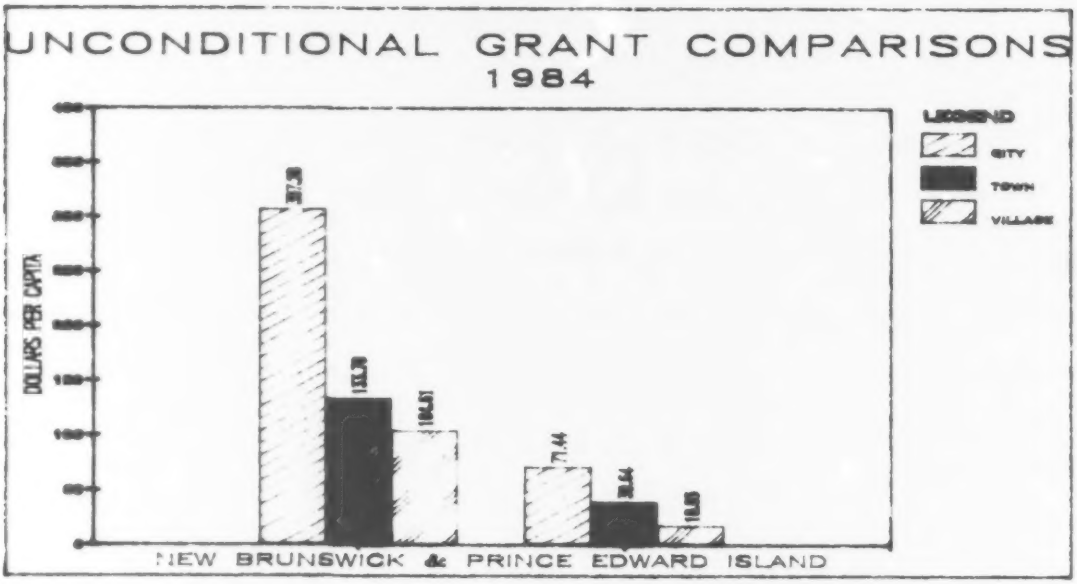

The General Municipal Assistance Grant is divided into three components. The population component or basic allocation provides a per capita grant to municipalities calculated on a sliding scale, increasing with municipality size. The Social Assistance component provides a grant equivalent to 5% of the amount of social assistance provided within each municipality. The Road Kilometerage component for 1985 was $2000 per kilometer for all roads within the boundary of a municipality.

The Tax Incentive Grant encourages municipalities to increase revenues from own sources by offering a corresponding increase in Unconditional Grant. The calculation of the amount of grant is based on each municipality's combined receipts from real property tax, water and sewer charges and grants in lieu of tax for the previous year. For municipalities with revenues less than $2,000,000 the assistance was $.45 on each $1.00 in 1984. For those with revenues greater than $2,000,000 the support was $0.20 for each dollar of revenue.

## PRINCE EDWARD ISLAND

The Unconditional Grant formula used in Prince Edward Island since 1980 is similar to the formula used in New Brunswick. The system differs from New Brunswick, however, in the determination of shareable expenditures. In Prince Edward Island shareable expenditures are based on the financial statements for the two previous years indexed by an inflationary allowance.

CHART 8




The average Unconditional Support to Prince Edward Island municipalities in 1985 was 19.5% with a range between 10% and 22.5%.

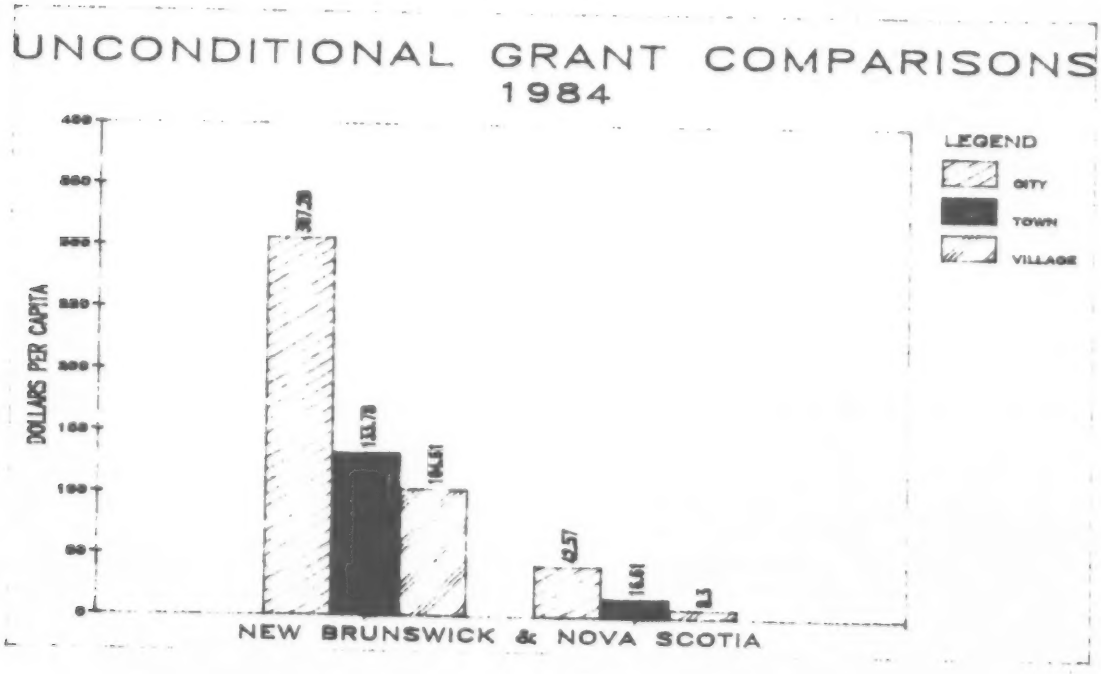
**NOVA SCOTIA**

In 1980 the Province of Nova Scotia enacted the new Municipal Grants Act containing recommendations of the Joint Union of Nova Scotia Municipalities - Department of Municipal Affairs Task Force. This Act prescribes the method by which provincial funding is divided amongst the municipalities of the provinces.

The Municipal Act divides the province into twenty-four "rural municipalities". Twelve of the province's counties form individual rural municipalities. The other six counties are divided into two rural municipalities each. There are three cities and 39 towns in Nova Scotia. The cities and towns are independent of the rural municipality aside from certain joint expenditures.

The total amount of grant provided each year is established in a Grant Fund. The fund was initially based on the total of all operating grants in 1977 indexed to the rate of increase in Gross Provincial Revenue. This represented an attempt at providing municipalities with a definite share of the gross provincial budget and can be considered as a form of revenue sharing.

CHART 9



For the purposes of the grant, five "classes" of municipalities are described dependent on size as measured by the number of dwelling units and the urban or rural nature of the municipality. "Implied in the program is the intention to treat similar types of community the same regardless of legal form of municipal incorporation."[14] The classes are as follows:

CLASS

I - Over 7,500 Dwelling Units

II - 3,000 to 7,499 Dwelling Units

III - 250 to 2,999 Dwelling Units

IV - Urbanized areas of rural municipalities

V - Rural municipalities excluding Class IV

Class I includes Nova Scotia's three cities; class II, the four largest towns; and, Class III, the remaining towns. The Class IV municipality is not a legal form but an attempt to recognize that areas with an urban character within rural municipalities have different revenue requirements. An urbanized area of a rural municipality is defined as a separate community, an adjacent community or a planned development centre. Where a community is

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[14]Province of Nova Scotia Department of Municipal Affairs, Grant to Municipalities; The New Grant System of the Department of Municipal Affairs, page

not located adjacent to a city or town (Separate/Independent Community), it must meet certain criteria to be considered as a Class IV municipality. These criteria are as follows:

- minimum density of 250 dwelling units per square mile;
- minimum area of one square mile;
- minimum internal dimension of 1/2 mile; and,
- demonstrate an urban character.

The criteria for a community located near a city or town (adjacent/dependent communities) to become a Class IV municipality are as follows:

- minimum density of 250 dwelling units per square mile;
- minimum area of 1/4 square mile; and
- minimum internal dimension of 1/2 mile.

The criteria for a planned development centre are as follows:

- must be designated in a municipal development plan approved by the Minister an as area of future growth and development;
- minimum density of 175 dwelling units per square mile;
- minimum internal dimensions of 1/2 mile.

The Class IV municipalities must be so designated by the Minister upon fulfillment of the prescribed criteria.

The dwelling unit was chosen as a unit of comparison over a per capita figure as the dwelling unit was felt to be a better measure of the costs of providing local services and because it can be updated annually.

The following are considered to be "standard" services provided by municipalities:

Operating Standards

- Protective services (fire and police, excluding administration of justice).
- Transportation services (streets and roads, sidewalks and street lighting).
- Environmental protection services (garbage collection and disposal and storm sewage collection and disposal).
- Parks and playgrounds.
- General Government.

Capital Standards

- Transportation services (streets, roads and sidewalks, but not including street lighting).
- Environmental Health (garbage and waste collection and disposal and sewage collection and disposal).
- Parks and playgrounds.
- Water utility, including fire protection or hydrant rental.
- General Government.

The estimate of "Standard Expenditures" for each class for operation and capital expenses per dwelling unit to provide these services for each class of municipality is established by the Nova Scotia Department of Municipal Affairs. These standard expenditures are based on the budgeted costs for all municipalities within each class. The Standard Expenditures for 1985 were as follows:

| | Operating Expenditures /Dwelling Unit | Capital Expenditures /Dwelling Unit |
|---|---|---|
| Class I | $1024 | $642 |
| Class II | $ 767 | $582 |
| Class III | $ 764 | $583 |
| Class IV | $ 364 | $376 |
| Class V | $ 149 | $127 |

The "standard expenditure" for each municipality then is simply the average standard expenditure figure for the appropriate class multiplied by the dwelling unit count in that municipality. This is not the grant amount; the grant depends on the ability to pay.

To determine the ability to pay, a standard tax rate for each class of municipality is applied to a uniform gross municipal assessment base.

The Standard Tax Rate derived for the various classes is calculated by subtracting from the total standard expenditure, the total grant fund. This result is divided by the total uniform assessment base. The standard rates calculated for 1985 are as follows:

| | |
|---|---|
| Class I, II, III | $1.1916/$100 assessment |
| Class IV | $.5483/$100 assessment |
| Class V | $.2991/$100 assessment |

The actual grant to each municipality then is calculated by subtracting from its standard expenditure the product of the standard tax rate times the assessment. In the initial years of this new program, revenue guarantees were necessary to insure that no municipality would suffer a reduction in grant entitlement.

## QUEBEC

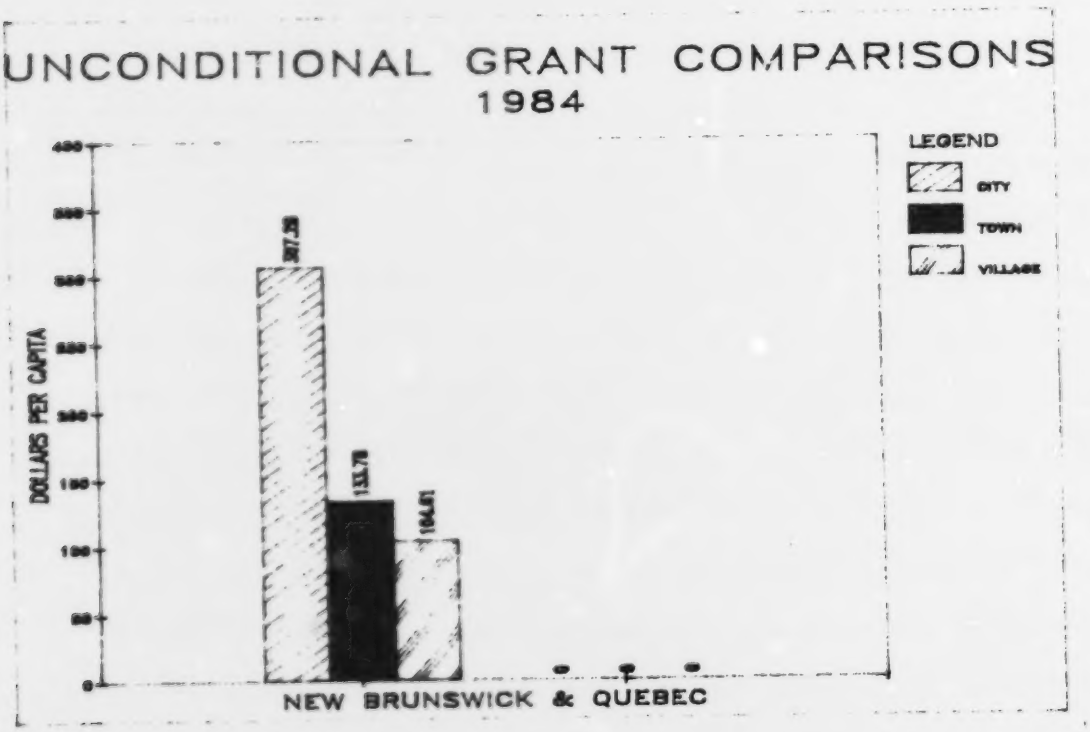
The Province of Quebec has recently undergone a radical Tax Reform. This reform was considered necessary in light of a growing imbalance between rising municipal expenditures and own source revenues in the 1970's. This deficiency had necessitated ever increasing provincial assistance to municipalities with a resultant loss in local autonomy.

The continued growth in the cost of the provision of municipal services led the province to consider two general alternatives:

1. Further reduce the responsibilities of the municipalities by directly funding certain services or by increasing grants.
2. Increase tax room to municipalities and in doing so give them greater responsibility.

The reform of municipal taxation, commencing January 1, 1980 aimed at increasing the autonomy of municipalities. To make this possible increased tax sources were provided to municipalities.

CHART 10



Therefore, the new system is based, in large part, on a reallocation of revenue sources. The Province has reserved the property tax field for municipal financing and transferred the proportion of those taxes formerly collected by School Boards to the municipalities. In addition, the Province now pays grants in lieu of taxes on provincial government property to municipalities.In total, the reforms provide more funding for Quebec municipalities than was available under the former system. In short, the entire tax system was reworked to produce a significant net transfer of tax room to municipalities. The role of local government also underwent significant changes.

The greatly increased tax revenues available to municipalities was partly offset by cut-backs in several provincial grants to municipalities including a $530 million reduction in unconditional grants. The new Quebec Unconditional Grant plays a much different role than in the previous system. In 1979 Quebec municipalities received 41 percent of their revenues from the Province. Unconditional grants amounted to about 24% of the average budget. The total amount of Unconditional Grants available prior to reform consisted mainly of a per capita grant drawn from a fund equivalent to 2% of provincial sales tax revenue. In addition, special per capita grants were provided to larger municipalities in recognition of the higher costs they incurred in providing local services. Quebec municipalities now derive some 96 percent of their revenues from their own sources, and only 4 percent from the Unconditional Grant.

The new Unconditional Grant is basically an equalization grant. The Unconditional Grant Formula is based on a calculation of fiscal dificiency and local tax effort. The formula utilizes a factor of two-thirds in calculating the grant. If a community's per capita assessment is less than two-thirds of the per capita assessment for all communities, it is eligible for a grant; otherwise, it is not.

Perhaps the most interesting feature of the Quebec formula is the fact that it incorporates a tax effort component into the grant calculation. Since the determination of the grant is based on the calculation of fiscal deficiency multiplied by tax effort, a community can increase its Unconditional Grant by increasing its own taxes. Moreover, utilization of the tax effort component means that the community, by raising its own taxes, can increase its own grant but not those of other municipalities.

The Quebec tax reform has been in place several years and the results are considered by the Province to be a success. Quebec municipalities have gained financial independence. Municipal revenue sources have proven to be both adequate and flexible. The revenue sources have managed to grow at a rate consistent with the growth in municipal expenditure. These goals have been achieved along with a considerable increase in the accumulated surplus of municipalities and a very modest increase in municipal debt.

## ONTARIO

Ontario has experienced the same problems as the other provinces in attempting to offset municipal fiscal imbalances. In the sixties, urbanization and an ever-increasing demand for improved municipal services was accompanied by the inability of municipalities to meet the increased demands made on them. In response, conditional grants were increased substantially.

In response to a call for reform, a number of changes designed to alleviate the imbalances which occurred over the years were put in place in the early 1970's.

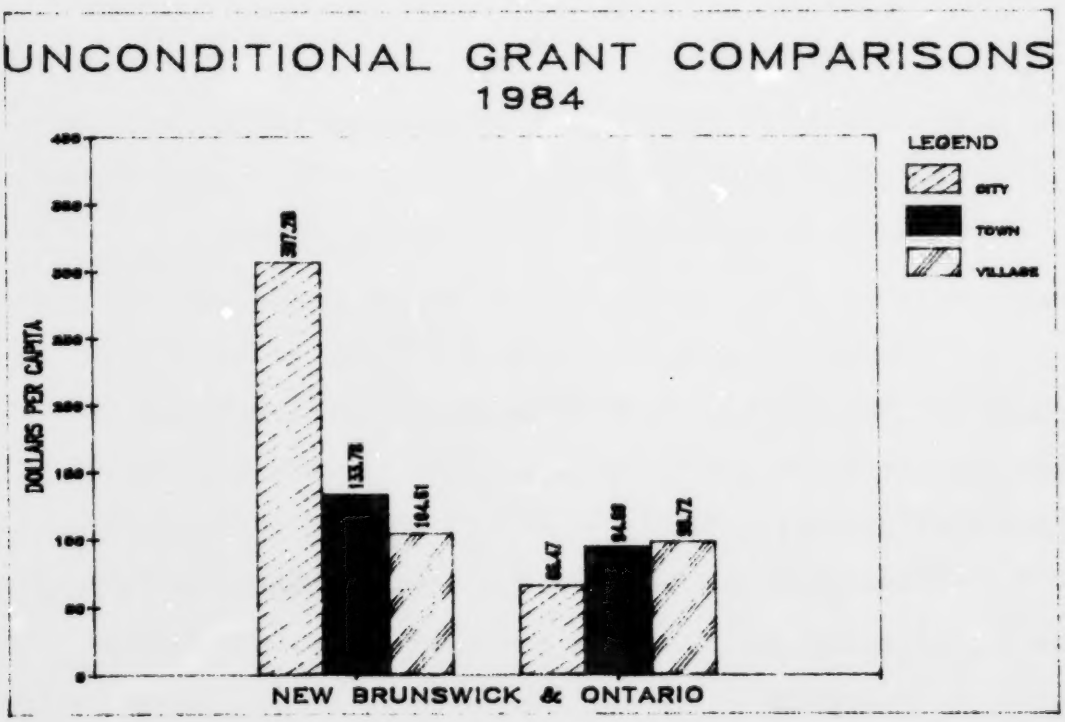
A Resource Equalization Grant was introduced to compensate for the inequities in property assessments and disparities in wealth and population distribution across the Province. This formula financed one-half of the deficiency between the actual per capita assessment of a municipality and the provincial average times the local levy. This became a substantial transfer with municipalities containing two-thirds of the population being eligible.

In addition, a General Support Grant, equal to four percent of a municipality's own source revenue was provided if the year-over-year expenditure was limited to 10%. Built into this formula was a "spending disincentive factor" whereby for each percentage point above 10 that a municipality increased its expenses the grant would be reduced by one percent. Conversely, the grant could be increased up to 6% by an expenditure less than 10%.

Despite these rather generous grants, the inflationary spiral created problems in 1974. Local government revenues proved relatively inelastic and the transfers from the Province were not sufficiently responsive to make up the difference. In response, modifications were made to the grant structure.

When the Province entered a period of restraint in 1976, the same elasticity problem recurred. The effects on municipalities of Provincial restraint were felt in magnified proportion. The revenue shortfall was made up in increased taxes. Subsequent budgets and policies attempted to address municipal fiscal problems in a variety of ways including restructuring the grants, increasing transfers, tying financial assistance to the Province's rate of growth of revenue etc.

CHART 11



The Ontario Unconditional Grant Formula that was established in 1972 based the payment on a measure of fiscal deficiency determined by the difference between the actual per capita assessment and the average provincial per capita assessment of municipalities and the net revenues of municipalities. The revenue component includes own source tax revenues, other levies, payment in lieu of taxes and grants from the provinces. The fiscal deficiency or fiscal excess measure utilizes assessment data from the prveious year.

Currently there are six types of unconditional grants in Ontario. The determination of each grant is based on a classification system. The classes are as follows: Group "A", lower tier municipalities; Group "B", upper tier municipalities; and, Group "C", constituent municipalities of Group "B" regions.

The first three unconditional grants are awarded on a per household basis rather than the previous per capita basis. Groups A & B municipalities in 1984 received GENERAL grants of $30.00 per household.

Police Grants are given to all qualifying municipalities in all groups in the amount of $47 per household.

Group "C" municipalities are eligible for density grants on a per household basis based on a schedule which provides the highest rate of assistance to municipalities with the lowest density.

The Resource Equalization Grant is designed to help lower tier municipalities with tax bases below the average increase or upgrade their services without increasing tax rates

by unreasonable amounts. A definite portion of the grant is paid to the upper tier municipality and the lower tier municipality is directly credited the remainder.

While the General Support Grant is paid to all municipalities, a Special Support Grant is paid to certain northern municipalities and municipalities which encounter high costsin delivering services due to their location.

In 1984, the total amount of unconditional grant to municipalities was approximately $714 million. Based on the relative populations of the two provinces, this would be equivalent to $56 million in New Brunswick.

**MANITOBA**

The most notable feature of the Unconditional Grant program in Manitoba is its tax-sharing program with the municipalities. The program is best characterized as a "pool" distributed to municipalities on a per capita basis. The pool is composed of 1.1% of corporate income tax and 2.2 points of personal income tax. These taxes are labeled as municipal income tax.

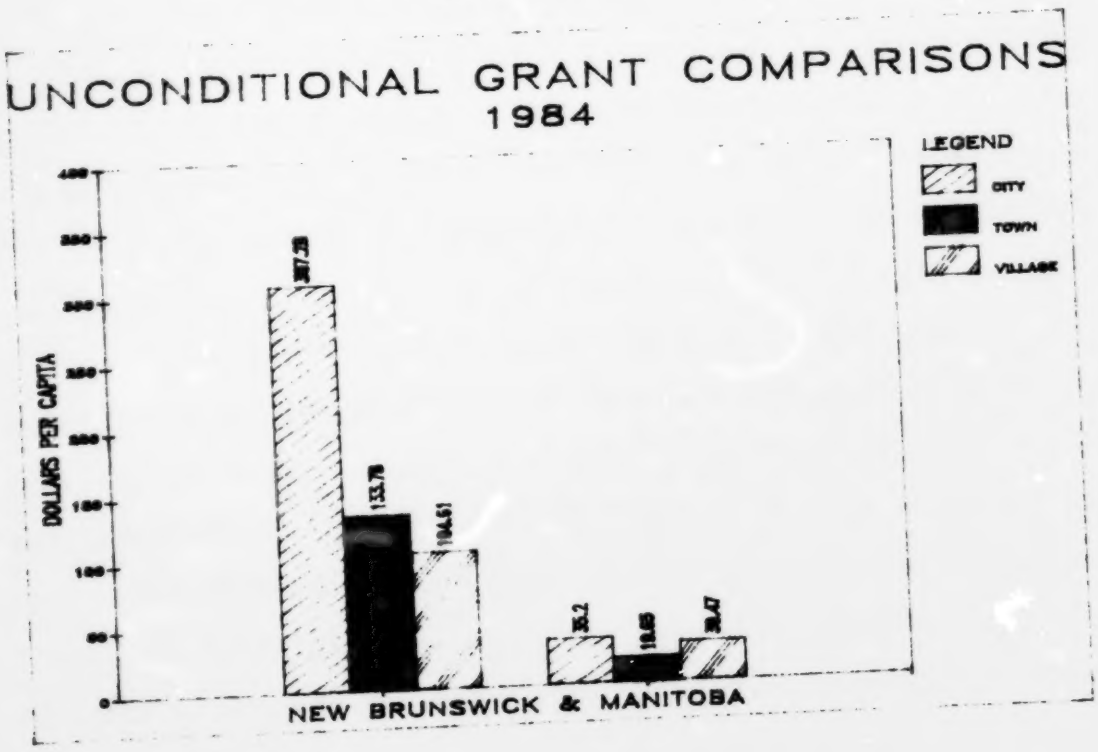
In 1984, the total amount in the "pool" was $30,661,307.00. This was distributed to the municipalities on the following basis:

- basic per capita grant of $25.85 to all municipalities and to the Minister of Northern Affairs for unorganized territory.

- urban services supplement in the amount of $4.25 per capita for certain centres with up to 5,000 population and $5.95 per capita for municipalities with more than 5,000 people.
- payments to certain municipalities whose population has decreased to insure the 1982 grant amount.

Unconditional Grants represented less than 3.5% of total revenues of Manitoba municipalities in 1984, with the exception of Winnipeg whose grant funding accounted for about 11% of total revenue. Another item of note is the relative change in the various types of revenues with respect to unconditional grants. Where general municipal tax has risen by over 41%, between 1980 and 1983 the unconditional grant amount has only

CHART 12



increased by less than 26.7 percent. This may be an indication of the responsiveness of the income sharing "pool". Where the supply of funds to the pool is based on income tax it may not rise to the increase in demand for municipal revenues to provide new and better services to the residents of municipalities.

## SASKATCHEWAN

Saskatchewan has two distinct Unconditional Grants and formulae: an Urban Grant and a Rural Grant. In 1975-76, the Province introduced a new formula basing the grant on categories of municipalities with the categories being determined by population. The formula was comprised of a fiscal capacity measure, the population of the community and the average mill rate of the municipalities in each category. Unlike the Quebec system which utilizes tax effort, the use of the mill rate has the effect of an increase in the mill rate in one community resulting in increasing the grant for all communities in that category.

The new formula in Saskatchewan takes fiscal need explicitly into account. The current formula includes the following components:

average cost of services in each category;

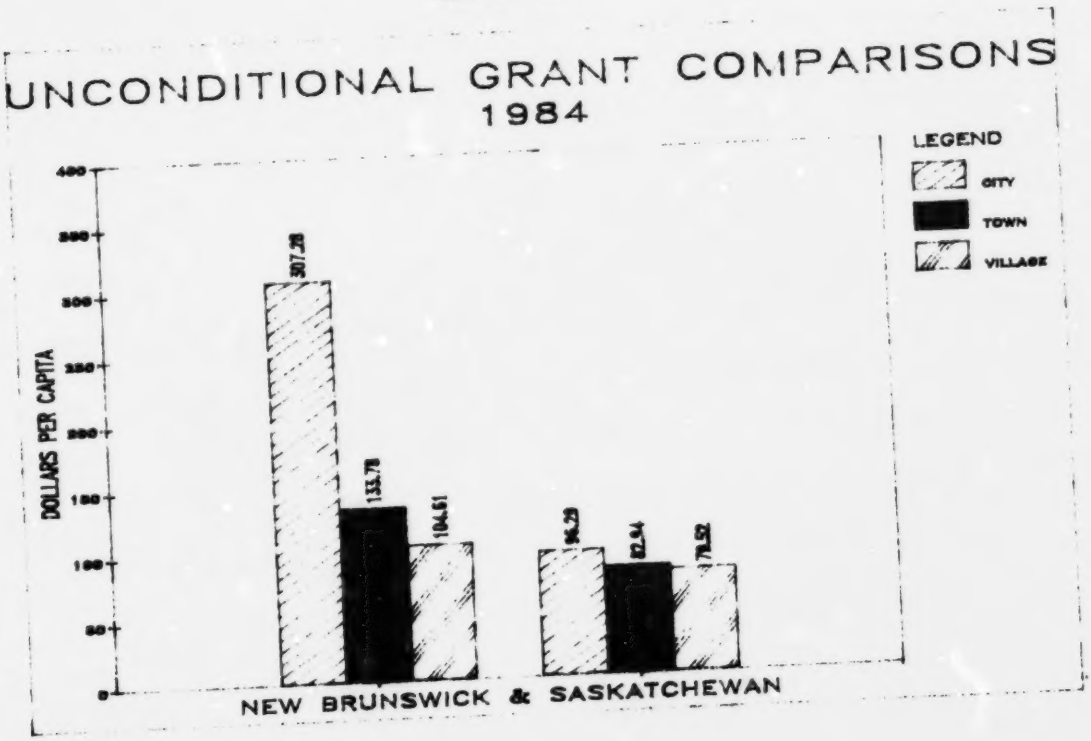
equalized assessment for each category;

the average equalized tax rate in each category; and,

the population of the municipality in question.

Prior to 1978, the majority of provincial-municipal fiscal transfers in Saskatchewan were conditional in nature. In 1978, a revenue sharing scheme was introduced. This program called for the combination of a variety of previously existing grants with new supplementary funds into two revenue sharing pools (urban and rural). Provision was made for these pools to be adjusted annually according to the change in a predetermined index. Growth in this combined base was felt to reflect economic growth. The index is calculated as the average of the year-over-year percentage changes in four provincial tax bases: personal income tax base, corporate income tax base, sales tax base, and, gasoline and fuel tax base.

CHART 13



"The primary purposes of the new revenue sharing system were to provide municipalities with another major revenue source, to link the growth of that revenue source to an index of economic growth as opposed to having it subjected to the annual rigors of the provincial budgeting process, and to maintain and strengthen the autonomy of municipalities through an increased degree of unconditionality."[15]

The adjustment process to the "pool" seems to have fallen short of producing some of the intended results. The initial change in the pool was based on the year to year percentage change in the four "indicators". Later a three year moving average was adopted to attempt to level the highs and lows and provide a more stable and predictable change. Changes in the structure of the gasoline tax necessitated increasing the pool by an amount greater than the indicators showed. Then in 1983 and 1984 use of the escalator was suspended due to the elimination of the provincial gasoline tax and general increases in the funds were applied. The escalator formula is presently under review.

Another significant feature of the Saskatchewan system is the division between rural and urban municipalities. This dichotomy is reflected also in the provincial government structure. Municipal affairs are administered by two completely distinct Provincial Departments: Saskatchewan Urban Affairs and Saskatchewan Rural Development.

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[15]Saskatchewan Local Government Finance Commission, BACKGROUND PAPER ON LOCAL GOVERNMENT FINANCIAL ISSUES, Saskatchewan, 1984.

In Saskatchewan, there are three separate unconditional grant distributions.

URBAN GOVERNMENTS

There are 509 urban municipalities in Saskatchewan. They range in size from small summer resorts with no fixed population to Regina with a 1981 population of 162,984.

The pool established for urban municipalities in 1973 comprised the previously existing police grants, per capita grants and equalization grants.

There are three elements in the unconditional grant transfer: a basic grant;

a per capita grant; and

a foundation grant.

Forty percent of the pool is supplied to the Foundation grant provided to municipalities whose revenue capabilities do not allow for the provision of a minimum service. "Needy" communities receive a proportional share of the fund based on the revenue to expenditure deficiency. For 1984 and 1985 only, a guarantee ensured that no municipality received less than it did in the previous year after the formula is applied.

RURAL GOVERNMENTS

There are 299 rural municipalities in Saskatchewan. The pool established for rural municipalities includes all of the grants provided formerly by the Municipal Road Assistance Authority.

A much larger portion of grants to rural municipalities is awarded in the form of conditional grants (65%) than to urban municipalities. The conditional grants have a built-in equalization factor to adjust for differences in wealth between areas and difficulty of road construction.

There are three elements in the unconditional grant transfer:

a Basic Grant - a percentage of the actual cost to provide certain services. Minimum of $3,000;

an Equalization Grant - based on the relative wealth of a rural municipality to provide for roads, bridges and administration;

and, a Hamlet Grant - $54.45 per capita plus a basic grant similar to the urban basic grant paid to rural municipalities for any organized hamlet within its boundaries.

NORTHERN GOVERNMENTS

There are 23 northern municipalities in Saskatchewan. The pool for these municipalities was established in 1982-83 and is governed by the same escalator as for other municipalities.

Per Capita Grants are highest for towns, less for villages and the least amount for hamlets. Incorporated in this grant is a "Northern Factor" which accounts for the additional costs to service remote isolated northern areas.

Foundation (equalization) Grants are based on the water and sewer costs plus other "normal" costs less recognized revenues. The deficiencies are adjusted based on the availability of funds.

**ALBERTA**

The first Alberta Unconditional Grant Program was initiated in 1951. The distribution was based on the discretionary power of the Minister of Municipal Affairs. In 1958 the Municipal Assistance Act was enacted whereby a distribution formula based on population weighted for low or declining populations was instituted.

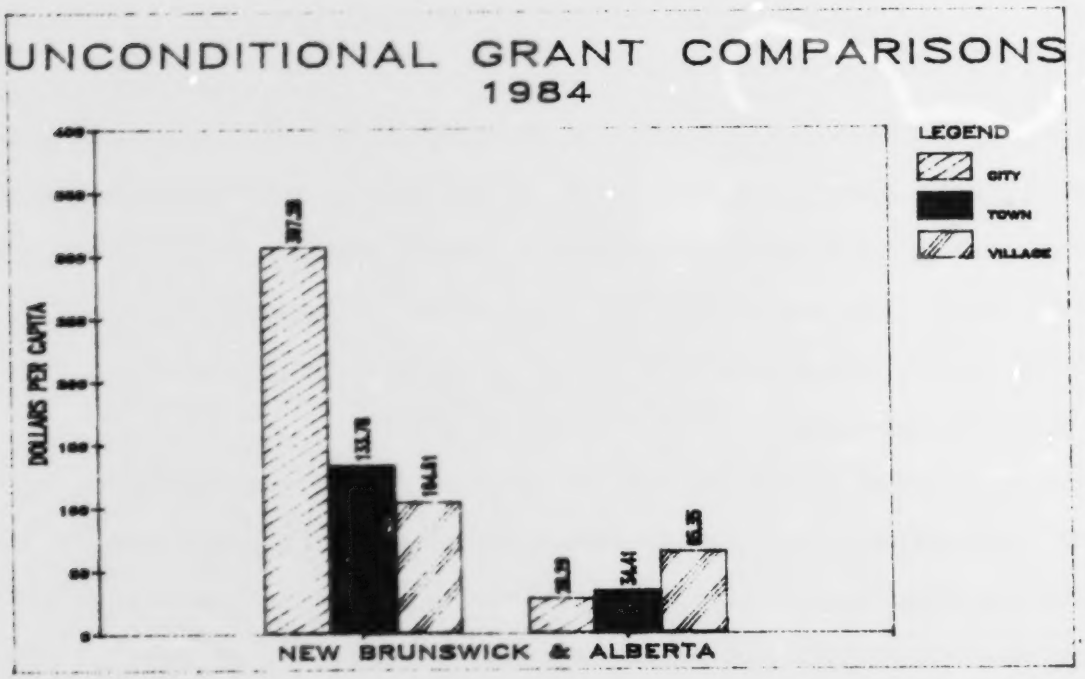
Revenue sharing was put in place in 1966 but removed in 1971. In 1973 the Property Tax Reduction Act became the vehicle for the distribution of funds in the form of unconditional grants. The formula incorporated area, population and equalized assessment in an attempt to equalize on the basis of relative "need". An incentive grant for municipalities who limited their expenditure increases within a predetermined range was also in effect. The total unconditional grant support in 1973 was substantially less than the previous year.

Over the next few years, the incentive grant was removed and the total funds made available was increased by prescribed amounts. Over the same time period, the number of conditional grants increased significantly.

In 1975 a Law Enforcement Transfer was adopted which provided "unconditionally" a block transfer to municipalities who provided their own police service. The funds supplied by this program may be used by the recipient municipality as it chooses.

An examination of municipal finance by the Alberta Provincial Municipal Finance Council in the early 1980's concluded that: municipal revenue sources could not keep up with increased demands on municipalities for services; the preponderance of conditional grants reduced local autonomy; more of the transfers should be provided unconditionally; and, a revenue sharing program should be introduced.The Council, aside from recommending a revenue sharing plan, recommended six categories of Provincial financial assistance.

CHART 14



The Council recommended that Unconditional Municipal Assistance Transfers be provided to municipalities based on a percentage of their previous year's revenues from own sources. In addition, the Unconditional Municipal Equalization Fund would be distributed unconditionally based on a formula which would provide greater funds to less wealthy municipalities and municipalities with a relatively low amount of non-residential assessment. Unconditional Block Service Transfers were to be expanded to include such services as rural road maintenance, public transit and recreation. The remaining three recommended grants were conditional and included: Operating Grants, Capital Grants and Interest Subsidization.

The recommendations of the Alberta Provincial Municipal Finance Council were not instituted but a new Unconditional Grant Formula was adopted for 1984-85. The formula attempts to address the inequities caused by population and assessment changes over the last decade.

The new formula is much simpler than the previous one. There is a distinct grant calculation for each of the three designations of municipalities: Urbans, Rurals and Summer Villages. The amount of the grant fund is determined through the budgetary process with the total being divided amongst the three types of municipalities as distinct "pools".

The grants to Urbans (cities, towns and villages) are calculated on a per capita basis using a weighted population. The weighted population for each municipality is the actual population multiplied by the average assessment per capita

divided by the assessment per capita of the municipality. Thus if a given municipality has a low assessment per capita relative to the average, the weighted population will be higher.

The calculation for Rurals is distributed 50% on the basis of weighted population and 50% on kilometers of road serviced using the same calculation technique as that for urbans.

The formula for Summer Villages utilizes occupied residential lots rather than population using the same formula as that for Urbans.

**BRITISH COLUMBIA**

Prior to 1978 the largest portion of unconditional transfers to municipalities in British Columbia took the form of a per capita grant. In 1978 the Revenue Sharing Act was passed hereby the Province was commited to "share" approximately six cents of each provincial revenue dollar with municipalities. The "pool" created out of Provincial revenues consists of:
1) one percentage point of personal income tax, 2) one percentage point of corporate income tax, and 3) six percent of renewable resource, non-renewable resource and sales tax revenue.

The pool aspect of the revenue sharing scheme exists today, virtually unchanged from its initial composition. This would seem to imply that this method of revenue sharing is responsive to changing requirements, unlike similar attempts in other provinces.

The revenue produced by this pool is distributed to the municipalities through a series of conditional and unconditional grants. For 1983-84, approximately one half of the revenue sharing pool of $210 million was distributed in the form of unconditional grants, primarily (80 percent) on a per capita basis. The remaining 20% is distributed in direct proportion to a community's share of expenditure in relation to the average and in inverse proportion to the relationship between a community's per capita assessment and the provincial average. The grants available, both conditional and unconditional are as follows:

- The Basic Municipal Grant awarded to a maximum of $60,000 and depending on a municipality's size and fiscal capacity;
- Water and Sewer Facilities Grant;
- Municipal Major Roads Program;
- Municipal Planning Grants; and,
- Administration, Planning and Basic Grants to regional districts.

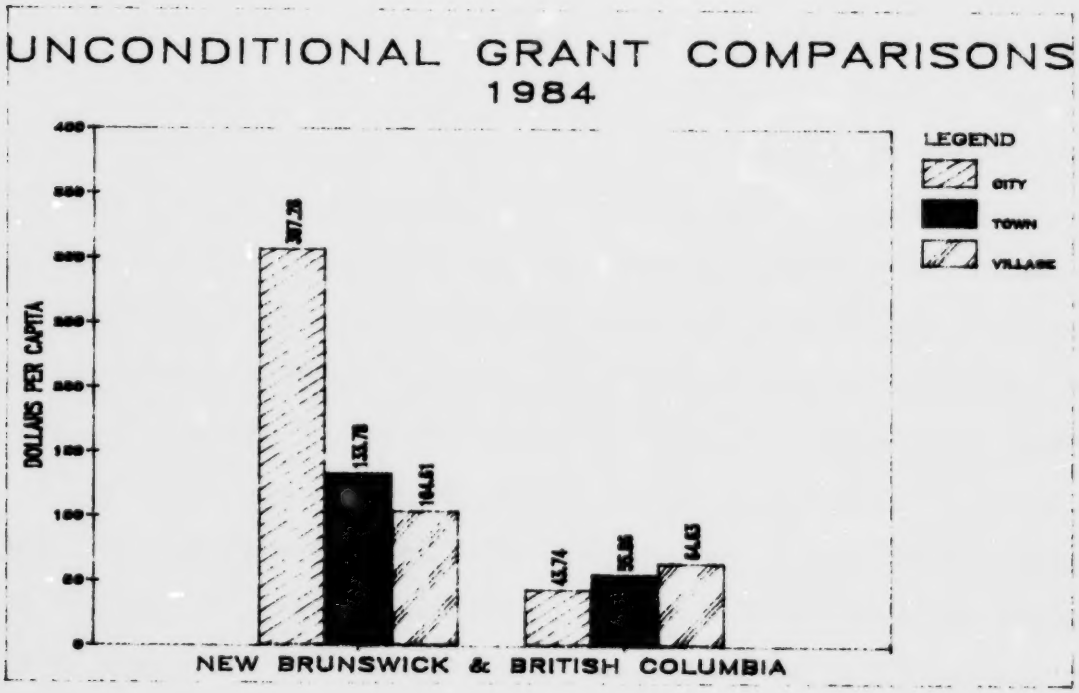
The basic grant is $30,000 per regional district, and the administration grant is $10,000 per district. The planning grants are distributed on the basis of population and need.

- Unconditional Municipal Formula distributed on a population, expenditure and tax base basis.

- Local Government Restructure Assistance.
- Utility lines grants.

The British Columbia grants' system has attempted to overcome municipal financial problems while maintaining an emphasis on unconditional grants. Unlike the Quebec strategy of all but eliminating Provincial-Municipal transfers but allowing greater tax room, the British Columbia thrust has been in the direction of maintaining the traditional grant concept by tying the total aid amount to the growth in Provincial Tax Revenues.

CHART 15



**Synopsis**

1. **Role of the Unconditional Grant**

While the trend among the provinces in recent years has been to move away from the broad range of conditional grants to municipalities to unconditional grants, a variety of conditional grants remain. The Unconditional Grant plays a relatively minor role in most provinces. In fact, property tax room provided by the provinces often plays the same role that the Unconditional Grant plays in New Brunswick.

2. **Type of Unconditional Grants**

Despite the fact that Unconditional Grants play a smaller role in other provinces than in New Brunswick, there tends to be more than one type of Unconditional Grant used in each province. Whereas the New Brunswick grant provides funding to municipalities using one formula both as a foundation for municipal financing and to equalize municipal circumstances, in other provinces there tend to be at least two distinct types of unconditional grants. Moreover, within the foundation type of grant there tend to be separate distinct grants either to fund a specific expenditure function such as policing or roads or for different types of municipalities. This is also the case with respect to the equalization grants used in the provinces. In many provinces, equalization grants are provided only to smaller municipalities.

### 3. Classes of Municipalities

The provision of different types of Unconditional Grants to different types of municipalities leads to another of the most significant features of the Unconditional Grant system in other provinces - the provision of Unconditional Grant funding based on classes of municipalities. In some cases, these classes simply represent the types of incorporated municipalities in the provinces. This can involve separate unconditional grants for lower tier municipalities - cities, towns and villages - or second tier municipalities such as the regional municipal governments in Ontario. In other instances, particularly in the western provinces, a distinction is made between urban and rural municipalities. In still other cases, classes of municipalities are established solely for the purpose of the determination of Unconditional Grant funding.

In those instances where classes of municipalities are established for the purpose of the determination of the Unconditional Grant the classes are based on the size of the municipality and the urban or rural nature of the municipalities. In doing so similar types of communities are treated the same regardless of the legal form of incorporation. The Nova Scotia system utilizes both the legal designation of communities and the grant system classification.

## 4. Standard Expenditures

The use of a classification system of municipalities permits one to compare a municipality's "needs" relative to the "needs" of similar types of municipalities through the establishment of "standard expenditures". By basing grant assistance on a measure of standard expenditure the determination of the unconditional grant is completely separated from the actual budget of a municipality. In doing so, it helps maintain and promote the autonomy of local governments. The concept of standard expenditures was a feature of the original Byrne Unconditional Grant formula in New Brunswick.

Generally, the following are considered to be "standard" services provided by municipalities:

- protection services (fire and police, excluding administration of justice);
- transportation services (streets and roads, sidewalks and street lighting);
- environmental protection services;
- parks and open areas; and,
- general government.

In the derivation of standard expenditures a number of provinces utilize dwelling units or households as a unit of comparison rather than population, apparently reflecting a view that the number of dwelling units is a better reflection of costs of providing municipal services than population. The actual derivation of the standard expenditure can simply involve

multiplying the number of households or dwelling units in a municipality by the estimated average standard expenditure for a particular service. Generally the standard expenditures are based on the actual costs incurred by a typical well-managed municipality representative of each class.

5. **Equalization and Tax Effort**

More significant than the role that equalization plays in unconditional grants in the provinces is the mechanism required to determine it. In many provinces the first step in the equalization calculation is an equalization of assessments. This amounts to an attempt to ensure that comparative municipal assessment bases are developed. This uniform assessment base is essential because of the variation in the various provinces in the assessment to market value ratios. This adjustment is not necessary in New Brunswick because uniform assessment at market value is undertaken across the province.

As a measure of fiscal need, some provinces use tax effort - a measure of the extent to which a municipality utilizes its own tax producing base in comparison to similar taxing authorities - in the determination of grant support. The tax effort feature of a grant formula adjusts grant funding upward for those municipalities who utilize their tax base to an above average extent either because they aspire to the provision of a higher level of services than similar municipalities or incur considerable expenditures to provide an acceptable level of services. The converse applies also.

Two provinces currently employ tax effort adjustments explicitly in their grant apportionment. The Newfoundland system employs a tax incentive grant which adjusts upwardly the grant entitlement to municipalities who increase their own source revenues. Quebec employs a similar component whereby a municipality that is eligible for grant support can further increase their support by increasing their own taxes. Other provinces have an implied tax effort element in their formulae.

### 6. Establishment of Grant Funds or Grant Pools

One significant feature of Unconditional Grant systems across the provinces is the fact that an Unconditional Grant fund or funds is established. Therefore, the amount of Unconditional Grant funding is established independently of the formula. In some instances, separate grant pools are established for individual types of unconditional grants.

### 7. Revenue Sharing

Revenue sharing which serves as a basis for the establishment of the amount of monies available for unconditional grants through the earmarking of specific provincial revenues or typing the growth in grant funding to growth in specific revenues has been exercised in various ways across the country. The success of revenue sharing schemes has varied considerably. Generally the schemes seem to have stayed in place during periods

of strong economic growth when provincial revenues were growing fairly dramatically but have had less staying power in periods of slack economic growth.

8. **Revenue Guarantee**

In those instances where provinces have modified their Unconditional Grant schemes it has not been uncommon to introduce a revenue guarantee element into the new program. The revenue guarantee simply provides a mechanism to provide an easy transition from one grant regime to another. Specifically, it provides supplemental funding for a given period of time to compensate those municipalities who may receive less funding under the new program than under the program it replaced.

## Notes

# CHAPTER FOUR

# POLICY AND PROGRAM DESIGN ISSUES IN DEVELOPING A NEW UNCONDITIONAL GRANT

This chapter comments on major policy and program design issues associated with an Unconditional Grant system. Initially, there is a summary discussion of public finance principles as they apply to an inter-governmental transfer system. These principles provide the setting for the consideration of issues raised concerning the Unconditional Grant, generally, and specifically, the formula. Many of the issues addressed have been identified by municipalities and municipal associations in briefs, letters and comments on the Grant.

## Public Finance Principles as They Apply to an Inter-Governmental Transfer System

The main concerns of a system of inter-governmental transfer are, almost always, to attempt to resolve fiscal imbalance and to influence the actions of the recipient government. There is a whole variety of ways that the objectives of the participating bodies can be achieved, however, in determining the most appropriate mix of transfers and the manner in which each transfer is to be distributed.

Established pubic finance principles provide a basis for designing a transfer system. It must be recognized, that there are conflicts between and among these principles. Therefore, it is impossible to fully respect all of these principles in a transfer system as trade offs will be necessary. The most appropriate transfer system, given the imbalances that exist, is the relationship between the governments concerned and the objectives that have been established by each will attempt to follow these principles to the greatest degree possible.

A primary consideration is that the transfer system respect the autonomy of the recipient government. In practical terms, this means that a transfer system should be **neutral** in that the transfer should not unduly influence that expenditure pattern of the recipient government. It should address the imbalances that exist and still allow the recipient the greatest degree of fiscal autonomy. This issue is of particular concern to municipalities in New Brunswick.

The transfer should be performed in such a way that both of the governments involved remain **accountable and responsible** to the taxpayer. Situations whereby a fiscal transfer exonerates a particular government from responsibility allows that government to make decisions without regard to the best interest of taxpayers involved.

Synonomous with the attempt to alleviate the fiscal imbalances that may exist between and amongst governments it is essential that a transfer system be **equitable.** It should address the real needs of the recipient government relative to

its resources and those similar governments and should also be **affordable** from the point of view of the resources of the government which provides the transfer. These principles directly reflect the goals of a transfer system to alleviate or at least lessen horizontal and vertical fiscal imbalances.

The transfer system should be sufficiently **simple** that it is both easy to understand and to administer. An uncomplicated system will insure that the results of the transfer are predictable and that it does not, unknowingly, create inequities that may go unresolved or undetected. This principle is often difficult to adhere to given the objectives of the various other principles but is, nevertheless, an important consideration.

A transfer system should be **predictable** so that the levels of government involved are able to plan and budget without undue fear that a considerable change in the amount of transfer could occur. This predictability must be tempered with **flexibility** to allow for the changing requirements and resources of the governments involved.

The overall amount of the transfer fund must be **adequate** for the efficient operation of the recipient government without imposing too severe a tax burden on its citizens.

These general principles provide a basis for determining, first of all, the role that an unconditional grant should play in a provincipal-municipal fiscal transfer system. Academic reviews of this subject provide some means for the determination of the appropriate type of transfer system. One

case in point is a paper on "Provincial-Municipal Fiscal Equalization and Revenue-Sharing" by Professors Auld and Eden. In their paper, they sought "... to examine provincial-local equalization grants and revenue-sharing and to relate these policies to the theory of intergovernmental finance"[16]. Their examination of provincial-municipal fiscal arrangements now in place in Canada and the application of the theory of inter-governmental fiscal relations concluded that:

"1. Where benefits and burdens can be clearly defined, those who benefit should bear the burden. This would imply greater reliance at the municipal level on residence based taxes and user charges and a lower rate of tax on non-residential property.

2. Conditional matching grants from provincial to municipal governments should be restricted to financing those expenditures that have benefit spillovers or provincial merit good characteristics.

3. Tax harmonization between municipalities is important, particularly with respect to property taxes since they are source based. Uniform provincial-wide assessment at uniform rates is therefore desirable while tax exporting and tax competition should be discouraged.

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[16]Dr. Douglas Auld and Dr. Lorraine Eden, "Provincial-Municipal Fiscal Equalization and Revenue Sharing", ACEA Papers, Vol. 11, 1982.

4. Equalization grants to municipalities can be justified on several grounds: horizontal fiscal imbalance, fiscal equity and fiscal externalities. The grants should be unconditional and take account of differences in fiscal capacities, needs and costs.

5. Provincial governments have the responsibility to eliminate vertical fiscal imbalance at the local level. A combination of pure revenue sharing, the introduction of a local income tax, greater reliance on the residential property tax, or the shifting of particular expenditure functions (e.g., education) to the provincial level, are feasible solutions."[17]

The conclusions of the Auld-Eden study are similar to most other studies. In fact, their first conclusion - that municipalities should rely to a greater extent on own source revenues - is the first conclusion of virtually any analysis of provincial-municipal fiscal transfer systems. It recognizes that the most appropriate method of dealing with fiscal imbalance, the difference between the expenditures that municipalities must incur to provide services and the amount of tax room available to them is to increase the amount of tax room. The transfer of tax room is seen as the most appropriate means of respecting the fiscal autonomy of municipalities and, in so doing, recognizing local fiscal responsibility and accountability to local taxpayers. This is in line with the established public finance principle that the government that spends should also be the government that taxes.

In those instances where the Unconditional Grant represents a major source of municipal revenue replacing it with a tax transfer would represent a fundamental change not only in provincial-municipal fiscal arrangements but also in provincial tax policy. It would require a consideration of the implications for municipal taxpayers since they are also provincial tax-payers who are contributing to the provincial revenues that finance the Unconditional Grant. For this reason, a tax transfer from the provincial government to the municipal government without some consideration of the higher tax burden on municipal taxpayers could cause a fundamental change in the overall tax burden and in the incidence of taxation in a province. This suggests that a transfer of tax room should be accompanied by a corresponding reduction in provincial taxes. It suggests also that consideration should be given to some means of alleviating the increase in tax burden on lower income taxpayers. Alternatives include a property tax credit or an income tax credit.

The fact that these equity considerations can be more easily dealt with in provincial tax policy is one rationale for an Unconditional Grant providing a base funding for municipalities. The Auld-Eden study suggestion that in the consideration of the relative roles of unconditional and conditional transfers to municipalities that unconditional grants should play the dominant role is also consistent with similar studies. The predominance of conditional grants in the provinces is one of the most frequently cited criticisms of transfer systems in other provinces.

There is no question that unconditional grants are far superior to conditional grants both for providing base funding for municipalities and for equalizing municipal fiscal circumstances. Generally, unconditional grants provide more leeway for local autonomy than do conditional grants. Unconditional Grants establish no specific requirements for municipalities to finance specific types of services at a specified level of funding nor do they specify standards of service that must be achieved. Conditional grants, on the other hand, generally entail funds from the provincial government being earmarked for specific activities. Often the unconditional grants require matching contributions from the recipient government on a specific type of activity. "Shareable expenditures" are generally well defined in the agreements.

Conditional grants often tend to violate the principle of local autonomy in other ways. The Canadian experience has been that in many instances local special purpose boards or commissions have been established to administer specific types of conditional grant programs. They tend to undermine the autonomy and accountability of the municipal councils and impede the systematic establishment of priorities. This point was made by an Ontario Committee a decade ago. The Municipal Liaison Committee, in May 1976, observed that:

> ... the conditional grants structure has contributed much to both the continued existence of these institutions (Special Purpose Bodies) and that

fragmented system of government in which municipalities function. Having received access to provincial funds, special purpose authorities are reluctant to have their operations integrated with those of the municipal council. Since conditional grants give recognition to the existence of the special purpose bodies they tend to identify strongly with the system as evidenced by the opposition to the proposal to deconditionalize library grants voiced by the library boards. Municipalities are, however, seriously constrained by the existence of these authorities as they compromise local priority determination, spread responsibility, reduce accountability and thwart public participation in community matters.[17]

The third and fourth conclusions of the Auld and Eden Study provide interesting reference points for the design of unconditional grants particularly in New Brunswick. Reference is made in their third conclusion to the importance of tax harmonization between and among municipalities. This is easily achieved in New Brunswick because there is, in fact, uniform assessment at real market values across the province. This expedites the determination of equalization grants.

These conclusions seem to provide, in large part, a strong vindication for the New Brunswick system of provincial-municipal fiscal arrangements. An important exceptio

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[17]Report of the Provincial-Municipal Grants Reform Committee Government of Ontario, Volume 1, 1976.

to this general statement is that the Unconditional Grant should be almost exclusively an equalization grant and municipalities increase their local property taxes on residential property. A related issue is whether the current formula actually does achieve the equalization objective.

**Municipal Concerns - General**

The principal concern in the analysis of the Unconditional Grant fromula has been whether it is as accurate a reflection of fiscal need in the 1980's as when it was originally instituted. Municipal concerns registered in briefs, correspondence, submissions, etc. and analysis during the Review suggest that it is not and that improvements could be made. Similarly, established Public Finance Principles provide reference points for identifying alternatives and for addressing issues.

Municipalities registered a wide range of concerns with respect to Provincial-Municipal Fiscal arrangements. The principal concern expressed by municipalities is that local autonomy must be recognized and, indeed, enhanced. This has as much significance, if not more, for provincial policies respecting the municipal budget process as it does for the Unconditional Grant.

Municipalities registered particular concern over the perceived inability of the current grant formula and fiscal arrangements to adequately reflect costs they are incurring in providing services to residents of outlying areas. This applies both to local service districts and to surrounding municipalities.

Certain municipalities expressed concern that the current grant formula does not adequately reflect the cost of providing services relative to geography. For instance the cities of Campbellton and Edmundston identified higher costs in providing transportation- related services because of severe winters.

There was a general suggestion that there is an inadequate recognition of the relative inability of villages to fund services at the same level of towns and cities.

A number of municipalities expressed specific individual concerns with respect to the inadequacy of the current formula. There is a general dissatisfaction with the current expenditure base insisting that it is a poor reflection of municipal fiscal need.

On a general basis the suggestion was made that the current level of funding is adequate but that the method used to allocate funding requires revision.

On the other hand, smaller municipalities suggested that while the current level of funding is inadequate the allocation is appropriate.

There was a general consensus that one of the difficulties with the current Undonditional Grant is based not so much on the amount of funding nor on its allocation but rather in the inability of municipalities to budget over the long term because of the uncertainty associated with future grant funding.

A related concern was a suggestion that the provincial-municipal consultative relationship should be strengthened.

Finally the suggestion was made that there may be certain areas where conditional grants should be used in supporting certain types of municipal expenditure initiatives. In particular the point was made that compensation should be provided through conditional grants for services delegated from the Province to municipalities.

All of the municipal concerns reflect to varying degrees the importance of recognizing certain established public finance principles in the design of an Unconditional Grant system. Paramount amoung these is the importance of recognizing local autonomy and the associated accountability and fiscal responsibility of municipal governments to their respective electorates. Similarly, there are concerns: 1) that the amount of grant funding should be adequate to allow municipalities to achieve certain standards of service in the provision of funding; 2) that the allocation of funding should be equitable; and, 3) that the formula should be sufficiently flexible to recognize changes in the relative fiscal circumstances of municipalities. They also suggest that there should be a reasonable amount of predictability so that municipal budget planning over the long-term can be accommodated. This has a parallel on the provincial side, particularly in a period of fiscal restraint.

In most instances, the municipal concerns centered on specific components of the current formula.

**Municipal Concerns - Formula**

Expenditure Base

The expenditure base used in the Unconditional Grant Formula is one of its important components. The expenditure base is the primary determinant of fiscal need contained in the Formula. It is the measure of the amount of municipal expenditures that the Province will share to allow municipalities to maintain a standard level of local services.

The "base" used in the formula has been, at various times, "standard expenditures" within certain classes of municipalities based on average per capita expenditures, the actual or average expenditures of the municipality in a given year, and "shareable expenditures" determined initially by indexing and subsequently by the Province on a year-to-year basis. The 1974-77 formula used a municipality's net expenditures in the previous year as a base for determining the Unconditional Grant. As it became apparent that this method was encouraging municipalities to increase spending in order to increase the amount of grant, the 1977 adjustments were made. As noted, the change made at that time allowed for the 1977 net budget to increase by the increase in the Province's Net Ordinary Revenues. Subsequently in 1981 an adjustment was made to allow municipalities to exceed the shareable expenditures and to receive

grant support on these overages over a two-year period. Since 1984 the Province has established the allowable growth in shareable expenditures by legislation .

The primary concern of New Brunswick municipalities currently is the divergence between their actual expenditures and the expenditure base on which they are receiving Unconditional Grant support. The validity of this concern is evident in the overall variation between "approved shareable expenditures" and actual net budgets. The variation is about 7 percent for both cities and villages and about 9 percent for towns. More significant than these general variations is the varying magnitudes of the differences amongst similar individual municipalities. In some cases, generally growth communities, the varition is very large. For instance, Grand Bay's budget is almost 19 percent greater than its "approved shareable expenditures." In other instances, "approved shareable expenditures" are equal to net budgets. These situations suggest that, as a measure of fiscal need, the current expenditure base falls sorely short.

Perhaps the most serious implication of this situation is that municipalities are being provided grant support based, in large part, on their needs of almost a decade ago. A related implication is that approved shareable expenditures reflect the extent to which given municipalities have been able to convince the Department that a given expenditure would represent a legitimate augmentation of their budget while other municipalities have been less aggressive. Finally, there are instances where

certain expenditures, particularly those for debt service, that were part of the base in 1977 were no longer part of a municipality's budget in subsequent years and yet they continued to receive grant support based on the implicit assumption that it was included. This means that some municipalities are being over-compensated while others, because the grant "pot" is a given amount of money each year, are being under-compensated.

Although not mentioned in municipal briefs, one concern that is aired from time to time is that gross rather than net expenditures should be the expenditure base in the formula. As noted in Chapter One, the gross budget of a municipality refers to the total budgeted expenditures of that municipality. When non-tax or own source revenue including such items as fines, rentals, sales of services to other municipalities and Local Service Districts is deducted, the remainder is referred to as net budget. The net budget is that portion of a municipality's budget which is financed by the local warrant and the unconditional grant.

Some municipalities suggest that the budget figure that should be used in the Unconditional Grant calculation is the gross budget rather than the net. This does not seem appropriate when one considers the role of the Grant.

The Unconditional Grant transfer is intended to work out imbalances, both between a municipality's expenditure needs and its revenue sources and between a municipality's need relative to other municipalities. It attempts, therefore, to promote equity between municipalities. Since all municipalities do not have the

same opportunities for generating non-tax revenues (and thereby reducing the amount of their net budget, warrant and tax rate), if the Unconditional Grant transfer were based on gross budget, municipalities would receive grant support on the total cost of the service including that portion which is offset by non-tax revenue. This would actually accentuate the disparity between municipalities with strong sources of non-tax revenue and those without.

Netting out own source revenue prior to the calculation of the Unconditional Grant ensures the preservation of municipal autonomy. The use of gross budget would tend to unnecessarily restrict municipalities in managing their financial affairs.

A greater degree of uniformity is likely with the use of net budget in that in the reporting of gross budgets some netting out could occur before the fact. As long as the purpose of the grant is to provide a percentage or a portion of a municipality's financial requirements, the net budget will ensure that a pre-determined portion of a municipality's budget will be paid by the taxpayers and the Province.

Population Component

Governments exist to serve people. It is not surprising, then, that population is commonly used in the determination of inter-governmental fiscal transfers and is a major determinant in the current New Brunswick Unconditional Grant Formula. It is obvious then that population-related issues are important.

In considering New Brunswick's Unconditional Grant formula a basic issue is whether there is a more appropriate measure of population which could be used. One alternative that deserves consideration is the use of households rather than total population. This alternative does not seem inappropriate when one considers the allocation of provincial-municipal responsibilities in New Brunswick and the types of services that the Province's municipalities provide to their residents.

The allocation of responsibilities between the Province and the Municipalities in New Brunswick is such that "general services" are a provincial responsibility. As a consequence, those services which represent a major responsibility of municipalities in most other Provinces - Health, Education and Social Welfare - are not municipal responsibilities in New Brunswick. These are services and expenditure responsibilities which relate directly to people and which should be provided by the senior level of government if a uniform level of service throughout the Province is an objective. In fact, this is the very rationale for the current allocation of provincial-municipal responsibilities as proposed by the Byrne Commission. The corollary of this is that many municipal services could be considered as services to property which suggests that households might be as appropriate a component as population in the grant formula.

Ultimately, however, governments provide services to people. Therefore, while a case can be made for using "households" as a factor in the grant formula rather than

"population", the continued use of population seems appropriate. Moreover on a practical basis use of the households rather than population in the formula indicates that no significant changes would occur.

Regardless of which measure is used, municipalities have raised a number of concerns concerning the population data used in the formula. The accuracy and reliability of the Statistics Canada Census data used in the Unconditional Grant Formula is a major concern. The need for more current data is a related concern, particularly of growing municipalities. Under the current Unconditional Grant Formula the Statistics Canada population count from the quinquennial census is used exclusively in the calculation of the Unconditional Grant for cities, towns, and villages. This means that the population component of the formula becomes dated fairly quickly. In fact, the census data and the grant calculation year might differ by as much as six years before revised figures become available.

The census data is used simply because there is no other official source of reliable small area population data. Currently the only intercensal population estimates available from Statistics Canada are for the Province, the counties, and the cities of Saint John and Moncton. These estimates are prepared annually by Statistics Canada. They are based on census data with adjustments for natural increases and migration. Notwithstanding this, there has been a considerable improvement in the

availability of sub-provincial population data in recent years. A number of sources of administrative data are available which facilitate preparing population estimates.

If using current population data in the Unconditional Grant Formula every year is established as a priority, this would require basing the estimates on population projections. One alternative would be to use projections of population data for a given year in the calculation of the grant for the year. The Province's Statistics Agency prepares their own projections but currently only at the provincial level. Once a small Area Data Base is established, however, preparations of population projections for cities, towns, and villages would be facilitated. Since parish data is part of the Small Area Data Base, this shoul facilitate making population projections for LSD's also.

## Services to Non-Residents

A basic concern of all municipalities is that non-residents derive the benefits of municipal services but bear none or very little of the costs. They suggest that current provincial-municipal fiscal arrangements do not recognize this either in the determination of the Unconditional Grant or in the taxation authority of municipalities.

The issue is often raised by municipalities in the context of recreational facilities and services. Municipalitie argue that their tax dollars are used to construct the

recreational facilities and to operate the facilities and that those in outlying areas "free-load" by using the facilities without paying their fair share of the costs.

Two recommendations have been advanced by municipalities for dealing with this issue. One is that a "regional" population estimate be used in determining the Unconditional Grant for a given municipality. Another is that municipalities be granted the right to levy a real property and non-residential tax on the outlying areas or that the Province institute some form of revenue-sharing arrangement between the municipality and the outlying area.

A basic issue that must be addressed is whether municipalities are, in fact, net "winners" or "losers" with respect to non-residents. While a convincing arguement can be made that non-residents of municipalities use municipal facilities and services, they also contribute to the economic base of a community and, therefore, to the tax base of the community.

The fundamental issue at this point is not so much whether municipal claims are valid but whether there is a proper way to reflect the fiscal pressures imposed on municipalities. The related issue is whether this and other similar issues can most appropriately be dealt with in a grant formula, outside of the grant formula as a separate policy matter or some combination of each of these.

Graded Population Adjustment

As noted in Chapter Two, the Graded Population component of the current Unconditional Grant formula attempts to address the apparent higher relative costs involved in providing services to a large municipality in comparison to a smaller municipality. It does this by awarding grant support to those 16 municipalities with populations greater than 5000 people based on the degree to which the population exceeds 5000 .

In its brief, the City of Saint John questioned the 5,000 base population used currently in the Unconditional Grant formula. They suggested that a higher base be used.

As is the case with the services to non-residents, the basic issue is whether the purposes of the Graded Population Adjustment in the grant formula might be better accomplished in other ways. Analysis suggests that it can.

The rationale for this component is that the per capita expenditures of a municipality increase with the size of a community. This is not to say that the pure size of the community determines the higher costs but rather that the size of a community contributes to its complexity which, in turn, determines cost. The cost relates not only to the scale of a given service which must be provided in larger municipalities but also to certain expenditures which larger municipalities may incur that smaller municipalities need not consider at any scale. A simplified example of the former might be expenditure for fire protection. If a given municipality can provide adequate fire protection at a given expenditure, a municipality double that size

might incur fire protection expenses more than double particularly if that municipality has taller buildings that require sophisticated aerial trucks and ladder trucks or large industrial installations that might pose inordinate fire hazards. Examples of the latter are the considerable sums that the City of Saint John spends on Market Square, the convention centre, the City Market, etc.

The Graded Population Adjustment attempts to reflect the complexities and diseconomies of scale associated with large municipalities. The determination of the appropriateness of this adjustment in capturing these costs is a difficult one. As a pure index of complexity is conceptually impossible, population size is used as the measure of higher per capita costs.

While the concept of the graded population adjustment in the current grant distribution is theoretically sound, the calculation is fairly arbitrary and does not necessarily resemble closely the increased costs associated with municipality complexity. This fault could be rectified through another type of grant formula based, for instance, on classes of municipalities and/or the application of a direct measure of fiscal need in the formula.

Tax Base Component

The question of which tax base should be used in the Unconditional Grant Formula must be addressed while keeping in mind the function the tax base plays.

In the current formula, the tax base, in fact, plays a dual role. It is used to address both the revenue and expenditure aspects of municipal finance. From a revenue point of view, the tax base is a primary determinant of the relative ability of a municipality to raise funds to finance its local warrant. From an expenditure point of view, the tax base is a significant indication of the amount of servicing which municipalities must provide as the tax base and the complexion of properties which comprise that base describes the requirement for servicing.

There are two choices of bases to be used in the Unconditional Grant Formula - the municipal assessment base or the tax rate denominator.

The assessment base is comprised of the total assessed value of all property subject to municipal tax levy. The tax rate denominator is comprised of the residential assessment base plus one and a half times the non-residential tax base. The assessment base is used in the determination of the percentage of grant support to a municipality in the current unconditional grant formula. On the other hand, the tax rate denominator is used to determine the local tax rates in municipalities It is, in fact, the tax base that a municipality uses to calculate its residential tax rate which, in turn, multiplied by a factor of 1.5 determines its non-residential tax rate..

Prior to 1983 the assessment base was used both to determine the tax rate and to calculate the percentage of grant support. For 1983, a number of changes were made to the Assessment and Real Property Tax Acts which brought about the

requirement for two assessment bases. The dissolution of the "Business Tax" and coincidental introduction of the residential/non-residential property classification whereby non-residential properties are taxed at a rate equal to one and a half times the residential tax rate created a need for the "tax rate denominator" in order to determine the residential tax rate.

The Municipal Assistance Act details the calculation of the percentage of grant support with the use of the assessed value of real property in the municipality.

In determining which base should be used in the calculation of the Unconditional Grant, it first seems obvious that the tax rate denominator and not the assessment base is the appropriate measure of fiscal capacity. This would seem so because a function of the Unconditional Grant is to equalize the differences which exist between municipalities in their ability to generate property tax revenue which is a direct function of the tax rate denominator. Closer inspection suggests, however, that the tax rate denominator is an inappropriate base if there is no distinct measure of fiscal need in the formula and, in reality, simply facilitates the calculation of local tax rates.

The Assessment Act dictates those types of properties which fall under the residential category including single and multi family residences, cottages, community halls, nursing homes and senior citizens' homes, hospitals, schools, subdivided residential building lots, farms, etc. It is evident that this category contains a great variety of properties with varying requirements for services. The non-residential category contains

those properties not identified specifically as residential and therefore exhibit an equally wide variety of servicing requirements. The division is based on ability to pay and not the cost to service.

The division of properties between the residential and non-residential categories is not intended to reflect, in any substantive way, the relative differences in the cost to provide services to the properties in each class. Another problem with the use of the Tax Rate Denominator in the calculation of the Unconditional Grant relates to the implication with respect to the preponderance of non-residential assessment depending on municipality size. A small municipality with a relatively large portion of its tax base in the form of non-residential assessment generally beneits from a lower tax burden on residential property. This situation is particularly poignant in a municipality with a very large industrial enterprise as a mine, mill or factory. In these cases, the large tax revenues derived from these properties may more than compensate for the costs required to provide services to them and in fact may "subsidize" the residential tax rate.

The opposite situation may be observed in large municipalities where, even though the non-residential properties pay a substantial amount of tax , the costs to provide municipal services directly to these properties and moreover the increased costs which result indirectly because of the "makeup" of the community can result in an increased tax burden to property owners in general.

The assessment base is the total of the market value of the properties to which municipal taxes apply. This is a simple but accurate measure of the relative wealth of a municipality relative to others and does not weight certain groups of properties as does the tax rate denominator. The assessment base is particularly accurate in New Brunswick as compared to many other provinces. In New Brunswick assessment is a provincial responsibility, and the methodology and bases used in arriving at the assessment within a municipality are uniform.

The question initially posed, as to which tax should be used in the formula, in the final analysis, depends on the desired function of that base. As a pure measure of revenue need, the tax rate denominator provides a precise indication as a broader measure of fiscal need, the municipal assessment base is more appropriate.

This leads to the question as to whether as a measure of fiscal need, the municipal assessment base is adequate or whether it would be more appropriate to use tax base to measure that which it most accurately measures, revenue need, and to seek a more accurate indication of fiscal need.

**Measure of Fiscal Need**

The municipal concerns noted earlier and many of the issues considered above suggest that one improvement that could be made in the current Unconditional Grant formula would be to introduce a measure of fiscal need.

It is important to recognize, however, that fiscal need is not synonomous with expenditure need. Expenditure effort simply measures the degree to which a municipality spends in relation to others. To encourage expenditure effort is to encourage spending. This, in itself, may not be undesirable where the enhanced spending is for the provision of a necessary service or the upgrading of an existing deficient service. To increase expenditure with the sole intention of increasing funding, is, to say the least, illogical since part of the increase must be financed by increased local taxes. As such, it is usually undesirable and may lead to a misallocation of resources. Notwithstanding the above, the broad purposes of the New Brunswick Unconditional Grant make it desirable to provide within the allocation for efforts by a municipality to upgrade the quality of its local services. This is particularly valid because of the high ratio of funding support provided to municipalities.

Higher than average fiscal need in a municipality may occur for two reasons: It may be the result of an attempt to finance locally the provision of an enhanced level of service or the effort may be necessary even to provide an adequate level of service as a result of either deficient local resources or higher local costs. In the first instance, the fiscal need is a recognition of expansion and growth and in the latter is recognition of insufficient fiscal capacity. It is evident, then, that fiscal need recognizes both expenditure need and revenue need; expenditure need in the first instance and revenue

need in the latter. A fiscal need measure could serve to address some of the concerns raised by municipalities with respect to unique factors that influence their costs. One example cited by municipalities is the higher costs of providing municipal services in the northern part of the province because of more severe winters. Another example is the higher costs that certain municipalities suggest they incur because of the physical size of the municipality.

In considering fiscal need recognition it is necessary to add that certain criticisms can be levied on its application, not the least of which is the notion that prudent management reflected in the ability of a municipality to impose a relatively light tax burden on its residents is discouraged by the withdrawal of grant support. The corollary to this notion is that municipalities should be able to make the decision whether to utilize grant funding to provide services or reduce tax burden. The validity of each of these arguments depends to a very great extent on the relative importance of grant funding in supporting municipal budgets. Given the significant proportion of municipal expenditures funded by the grant in New Brunswick there seems no question that it should be an element in the allocation of the grant. Were the percentage of grant support to be considerably reduced its application might be more questionable. Finally, it might be said that efficient management is its own reward and will be reflected in benefits which accrue directly to the taxpayers concerned.

## Notes

## CHAPTER FIVE

## ALTERNATIVES TO THE CURRENT UNCONDITIONAL GRANT FORMULA

The analysis that has been undertaken in the Review of the Unconditional Grant has identified certain improvements that could be made in the Grant. Some relate to the general concept of unconditional grants to municipalities. Others relate specifically to the New Brunswick Grant. A number of the issues identified could be rectified through changes in the formula itself. Others could be dealt with through changes to the policy environment in which the grant operates. This chapter concentrates on the formula.

While the problems identified can be addressed in a number of ways, one can establish four scenarios which address them. The scenarios have been identified in the various presentations and discussions on the grant. They are:

1. "Fix" the formula
2. Separate Block Grant and Equalization Grant
3. Separate Block Grant and Equalization Grant with Classes of Municipalities
4. Standard Expenditure based on Derived Net Budget.

There are, of course, overlaps between and among these alternatives. In the balance of this chapter, each of these scenarios is examined.

**"Fix" the Formula**

In this scenario, some of the issues identified in the Review of the Unconditional Grant, including some of the concerns expressed by municipalities, municipal associations and municipal administrators could be accommodated. Modifications could be made to specific components of the formula which have been identified as suffering from a variety of problems.

Expenditure Base

The most fundamental change that would be made in this scenario would be the establishment of a new expenditure base. The change in the base should more accurately recognize the fiscal need of each municipality. As noted in Chapter Four, the current expenditure base is a product of three factors: a municipality's expenditures in 1977 - the base year on which "approved shareable expenditures" are based, the annual "allowable" increase in the expenditure base granted initially under provincial "revenue-sharing" legislation and subsequently under provincial budget guidelines; and, finally, the extent to which overages and "first-time and unusual" expenditures have been allowed by the Department of Municipal Affairs. As a consequence, the current expenditure base is basically a provincial administrative figure rather than a measure of current municipal fiscal need.

Establishment of a new expenditure base in the Unconditional Grant formula is a basic requirement regardless of whether a new formula is instituted or not. It is proposed that the current measure of approved shareable expenditures be replaced

by net budgets as the expenditure base the formula. This is a legitimate measure of current expenditure need. It is significant that use of 1986 net budgets as a base would reflect municipal desires, rather than provincial directives since there are no provincially imposed guidelines.

The experience of the past, however, and the importance of avoiding a situation where municipal budget decisions can be influenced by the amount of unconditional grant available, suggests that the expenditure base should be established for a base year and indexed in subsequent years. Care should be taken to ensure that the growth factor is consistent with the overall trend in municipal expenditures and that provision is made for costs associated with additions to municipal services.

If this approach were taken, it would be appropriate to use the audited net budgets for a given year as a base and to assign a growth factor. To avoid the problems that have been encountered in the past, the expenditure base used in the formula should be monitored annually and revised after a maximum of five years have elapsed.

In the course of the analysis undertaken during the Review of the Unconditional Grant and in some instances, in municipal submissions issues associated with the components used in determining "the percentage of grant support" were addressed. Each of the components of the formula - population, assessment, kilometerage - was assessed and alternatives considered both from a conceptual standpoint and from the vantage point of grant programs used in other provinces.

Population

Population is, of course, one of the principal components in the current New Brunswick Unconditional Grant formula. If the total population of a given municipality increases more than the provincial population so also does the grant support provided by the Province. In addition, the graded population adjustment provides for a proportionate increase in a municipality's Unconditional Grant support based on the extent to which its population exceeds 5,000.

The analysis of the population component of the Unconditional Grant formula considered whether "households" rather than population would be a more accurate measure of local fiscal need, whether "regional population" should enter into the calculation of the Unconditional Grant for a municipality and whether more current estimates of population should be used in the calculation of the Grant.

If population is to continue to be used as a primary determinant of the Unconditional Grant in New Brunswick, one change that has been proposed by municipalities - that more current population data be used in the formula - should be instituted, if "reliable" estimates can be generated. More current data would better reflect local needs than the use of a census population figure that is some six years old before it is replaced. This would have particular benefit for growing municipalities. Such data is not currently available from Statistics Canada. However, it could be generated by the Provinc under the auspices of the New Brunswick Statistics Agency.

The other population-related issue addressed in the Review of the Unconditional Grant relates to the concern of municipalities that non-residents derive significant benefits from municipal services but bear very little or none of the costs. They suggest that current provincial-municipal fiscal arrangements do not recognize this either in the determination of the Unconditional Grant or in the taxation authority of municipalities.

This is an issue that can most appropriately be addressed in an Unconditional Grant formula through the application of various fiscal indices. It could not, however, be properly applied wihout other changes in the formula. It should be recognized also that this, like a number of other issues, must be addressed by individual municipalities.

Tax Base Component

The examination of the respective merits of total assessment or the tax rate denominator as the overall measure of fiscal capacity of New Brunswick municipalities suggests that the tax rate denominator is preferable if equalization of revenue need is the objective. The Tax Rate Denominator is a better measure than assessment of a municipality's ability to raise revenues from its tax base because it is, in fact, the tax base that they use to calculate their residential tax rate. If, however, equalization of fiscal need is the primary objective, however, assessment may be more appropriate since the additional weight assigned to

non-residential assessment in the calculation of the tax rate denominator is at least partly offset by the increased municipal costs associated with such properties in most municipalities.

Density Measure

The current Unconditional Grant formula equalizes assessment on the basis of the number of kilometers or roadway within each municipality. This kilometerage factor is essentially a measure of density and is intended to equalize grant support in recognition of the degree of concentration of properties in relation to the amount of streets in each municipality. This is not intended to reflect specifically, the costs of providing transportation services in a municipality but rather the costs of providing the entire range of municipal services in relation to the density of a community.

The current measure of road kilometerage used is municipal kilometerage plus one-half of provincial kilometerage. The rationale for the inclusion of one-half of provincial road kilometers is that although municipalities are not responsible for construction, reconstruction and maintenance of provincially designated highways, they must provide services to properties located along these highways. The adjustment is given a weight of one-quarter in the formula.

Although the philosophy underlying this adjustment is considered to be valid, it is felt that it could be made less arbritrary and more in keeping with the notion of the kilometerage factor being a density adjustment by using total kilometerage.

The fact that this adjustment is weighted by one quarter means that this proposed change does not profoundly effect grant apportionment. This is considered to be a valid "fix" on the current formula, however, as it is a move towards a more meaningful adjustment.

The minor revisions suggested would not interfere with the municipality's responsibility to determine the mix and level of services to be provided, and the amount of taxation required to finance the services. The revisions would maintain the familiarity and predictability of the "status quo." This does not mean, however, that the current formula and system cannot be improved. Rather, it establishes some parameters that should seriously be considered in implementing an alternative to the current system.

**While these various changes proposed would address some specific issues raised concerning the mechanics of the current formula, more profound alterations and revisions would be in order if fiscal need of municipalities is to be reflected to a greater degree in the formula.**

**Block Grant and Equalization Grant**

While the Unconditional Grant serves two basic purposes, this is not evident in the current Unconditional Grant formula. This suggests that one alternative is to attempt to design a formula that reflects explicitly its dual role. This could be accomplished through the establishment of a block grant for expenditures on specific services. As a means of dealing with this problem, this scenario would involve determining, separately, the two basic components of the grant - a foundation grant and an equalization grant.

This scenario, therefore, explicitly recognizes that, since its inception, the Unconditional Grant has had two underlying purposes. These are:

1) to provide a foundation for the financing of municipal budgets; and,

2) to equalize municipal fiscal resources.

The first purpose reflects the principle that municipalities in New Brunswick are actually delivering certain services that would otherwise have to be provided by the Province. The second purpose is that each municipality should be able to provide reasonably comparable standards of service to its citizens without excessive taxation.

With this in mind, the appropriate type and amount of foundation grant can be established. Assuming continued unconditional grant funding at the same rate as is currently the case the amount of funding to provide the foundation grant can be extrapolated by estimating the amount of funding required to

provide "pure" equalization throughout the range of municipalities. As noted earlier, application of a pure revenue equalization formula similar to the formula used by the Government of Canada in calculating equalization payments under the Federal-Provincial Fiscal Agreements and Established Programs Financing Act indicates that between $6 and 12 million dollars would be required solely to equalize the revenues of New Brunswick municipalities. It would be appropriate then, if, at 1986 grant fund levels, foundation funding would approximate $78 to $84 million.

The appropriate starting point for the determination of the foundation grant is municipal expenditures. The foundation grant could take the form of a "block" grant based on actual municipal expenditures for specific services or functions or could be a given proportion of municipal expenditures. Municipal expenditures provide some basis for determining an appropriate base for such grants.

The provision of a reasonable and standard level of services implies a measurable and predictable expenditure for the provision of those services. Analysis of municipal expenditures indicate that the provision of municipal services varies significantly amongst municipalities and within the cities, towns and villages. This affirms the cosiderable degree of autonomy enjoyed by New Brunswick municipalities in that they can choose to spend and provide services on the basis of their specific priorities, needs and philosophies. There are, however, certain regularities in expenditures on particular expenditure functions.

The expenditure profile of municipalities has revealed expenditure on policing and the total protection function to be readily measurable and predictable particularly in the context of municipality types. The analysis has shown that for Police Protection, all types of municipalities spend relatively similar dollar amounts. For the total protection function, however, the whole range of municipalities spend relatively equal shares of their entire budget.

Similarly, provincial legislation and policies suggest bases for block grants. The Municipalities Act in New Brunswick requires that municipalities provide police protection. One alternative, therefore, would be to provide a block grant to municipalities on the basis of their expenditures on this function. On a broader scale, protection, in total, represents what might be considered the most basic function of government, the protection of persons and property. Although technically an elective service the transportion function is, in fact, required by public demand and could also be considered as the basis for a block grant. One can, therefore, conceive of a grant formula in which certain amounts of expenditures on these or other functions can be partially funded by block grants and the remainder of the funds available designated as equalization funding and distributed on an equalized assessment per capita basis.

An alternative to funding specific expenditures would be to fund a specific portion of all net budgets. This notion is reminiscent of the Byrne formula which proposed as a foundation grant, 40% of "standard" expenditures. Given the amount of funds

available by today's standards and allowing a reasonable residual to satisfy equalization requirements, a foundation fund equal to one third of municipal budgets would be appropriate.

Although the basis for this type of Unconditional Grant formula would appear conceptually sound, it becomes quickly apparent that fiscal need is not addressed to the sufficient degree that it should be in a fiscal transfer that provides as great an amount of funding to municipalities as that in New Brunswick. Fiscal need is only recognized in that expenditure function that forms the basis for block grant funding. A block funding scheme for Police Protection, for example, would tend to discourage municipalities from combining to provide regional police force protection as the possible economies realized from this type of joint venture might be partially offset by reduced unconditional grant funding.

Also present in this alternative is the danger that directly funding portions of individual budgets or specific expenditures may lead to a situation where there is a spending incentive in order to enhance grant entitlement. This represents a violation of the most fundamental public finance principles that local fiscal autonomy be respected and that a fiscal transfer be neutral.

Finally, funding municipalities on the basis of certain types of expenditures, while recognizing similarities in those expenditures does not reflect the wide variations in expenditures

both across the range of all municipalities and within the cities, towns and villages. It does not, therefore, provide a clear conceptual framework for identifying fiscal need.

**Block and Equalization Grant based on Classes of Municipalities**

It is possible to base a grant formula on the concept of the previous scenario and, at the same time, to deal with some of its shortcomings. The problems associated with addressing individual municipalities' expenditures might be at least partially overcome by developing "standard expenditures". Such a "standard expenditure" would measure fiscal need of a given municipality as expenditure that would be required for an efficient and effective administration to deliver services at some "standard level" to its citizens.

A current simulation of the Byrne formula would fit in this group of alternatives. The Byrne formula proposed a flat rate grant equal to 40% of the standard expenditures of municipalities, this being the average per capita expenditure of each class. Equalization then is performed on the balance of standard expenditure to the "richest" municipality(s) of each class in terms of assessment.

Establishing this type of grant alternative requires, first of all, the establishment of a standard expenditure. It is not feasible, however, to attempt to develop any overall standard given the great variation amongst municipalities in New Brunswick. There is a very wide divergency among the 114 municipalities in New Brunswick. To arrive at some standard when Saint John with a

population of 80,521 and Meductic with a population of 242 are examined together is impossible. Neither does the distinction in tne legal designation of municipalities into cities, towns and villages provide a clear basis for establishing standards.

It is reasonable then to attempt to establish standards upon examination of groups of municipalities which evidence a degree of similarity. This notion of classes of municipalities is not a new one; in fact, the first Unconditional Grant formula in New Brunswick, proposed by the Byrne Commission, was based on a classification scheme. The rationale behind a "classification" system of municipalities is such that funding or financial assistance to municipalities can be provided based on consideration of the actual needs or requirements of a community as compared to another with similar needs. A classification system allows that a "standard expenditure" be established based on the cost of providing a standard level of service as dictated by that classification. The calculation of a foundation grant based on this would attempt to ensure that each municipality is given adequate assistance to provide a standard level of service to its residents.

The validity of determining the Unconditional Grant on the basis of groupings of municipalities is clearly evident in an analysis of the determinants of municipal expenditures in New Brunswick. The analysis undertaken indicated that approximately 58% of municipal expenditures in New Brunswick are influenced by assessment, road kilometerage and population. These, of course, are the main determinants in the Unconditional Grant formula.

Inclusion of other factors in the analysis such as area, income and percentage of grant support increased this percentage but only marginally. As a follow-up to the regression analysis of the determinants of expenditures for all municipalities, a similar exercise was done to test the groupings of municipalities with similar characteristics. The results of this exercise clearly indicated that the amount of municipal expenditures that can be explained by the three main factors - assessment, population and kilometerage - is significantly higher in the classes than for all municipalities.

The classification system ultimately chosen attempts to synthesize the most significant factors which influence municipal budgets in New Brunswick. The primary determinants in this classification scheme are total net budget, population, kilometerage and assessment. All municipalities in the Province are classified into four groups.

The first class is comprised of the three largest cities - Saint John, Fredericton and Moncton. The second class includes the three smaller cities and the larger towns but excluding Riverview. The third class is comprised of Riverview, most of the other towns not included in Class B and the larger villages. Class D is comprised of the other villages and the two remaining towns. Table 3 provides a profile of average expenditures per capita, per $100 of assessment and per kilometer for each group.

**Table 3**

**Selected Measure of Average Expenditures**

**by Class of Municipality**

**1984**

**$**

| | Net Budget Per Capita | Net Budget Per $100 Assessment | Net Budget Per Road Kilometer |
|---|---|---|---|
| Class A | 610.71 | 2.876 | 97,870 |
| Class B | 459.51 | 2.413 | 59,727 |
| Class C | 350.82 | 1.968 | 34,849 |
| Class D | 248.79 | 1.7745 | 16,131 |

The average expenditures clearly indicate the difference among the classes.

While neither the classification scheme noted nor any other method provides a "magical" solution to a complex problem since there are ultimately 114 "classes" of municipalities in New Brunswick, it does provide a means of systematically moving towards regularity and standardization. The establishment of the classes is not an end in itself but allows for the realization of two important concepts already discussed; that foundation and equalization funding can be provided to a municipality without that municipality unduly influencing by its expenditure the amount of grant it receives, and that funding can be provided to a

municipality with emphasis placed on the needs and resources of that municipality as compared to similar municipalities and not by the entire range of municipalities.

Consistent with the notion of classes of municipalities is the establishment of separate grant pools for each class. Rather than simply determining the overall amount of Unconditional Grant funding it would be desirable if a separate fund for each class could be determined annually based on the total funding available.

Standard expenditure, in this scenario, then is the average per capita expenditure for a specific function, group of functions or range of services for each class. Similar services and ranges as were addressed in the previous alternative could be used in this alternative. These were: block funding for police protection, block funding for total protection, block funding for police protection and transportation, block funding for a portion of total expenditures on the protection and transportation functions and foundation funding for a specific portion of average net budget per capita.

In all of these scenarios, the remainder of the pool for each class after block or foundation funding has been performed is earmarked for equalization. These funds are distributed on the basis of equalized assessment.

This type of formula would be more appropriate in a situation where municipal services are not considered to be "mature". If this were the case, the distribution would tend to

channel funds to municipalities with lower expenditures to move them towards the higher expenditure municipalities who are assumed to provide a more acceptable "standard" of services.

Surely with the substantial injections of funds to municipalities over the last twenty years, municipal services in New Brunswick can be considered to be reasonably mature in overall terms. This being the case, this type of formula may be seen to overcompensate those municipalities with below-average expenditures and not provide sufficient funds to those with higher expenditures. It does not, accordingly, reflect fiscal need.

Since this type of formula bases grant funding on "standard" expenditures, consideration must be given to "standards" of services. It is generally felt that the establishment of standard of services can impinge on the autonomy of municipalities.

In summary, this formula concept has all of the desirable features of the previous concept and does not suffer from some of the disavantages. However, it too has certain disadvantages. The most significant disadvantage is that because the grant would be based on an average standard expenditure, it could tend to overcompensate, gratuitously, municipalities with below-average expenditures and undercompensate municipalities with above-average expenditures even though these may not be a proper reflection of the fiscal need of municipalities. In general, then, it does not adequately address the question of fiscal need.

**Standard Expenditure Based on Derived Net Budget**

In order to establish a "standard" expenditure without the determination or imposition of "standards" of services and in order to insure an adequate reflection of fiscal need led to an investigation into what factors represented the main determinants of municipal budgets. In other words, what are the main factors which influence municipal expenditures?

If this quest were successful, it would allow for the reconstruction of the net budgets of individual municipalities, not on the basis of what they actually spend but rather on the basis of what they should spend to provide an adequate level of service.

The study revealed that there are three main factors which, when taken in combination, can, to a great extent, "explain" or "predict" municipal budgets. In fact, there are a multitude of "factors" but they are to a large extent reflected in the population, road kilometerage and assessment base of a given municipality. This is hardly surprising, particularly where these are factors in the current formula and the grant funds such a significant portion of municipalities' budgets. A variety of other factors were included in this analysis but discarded as they did not significantly add to the "explanation" to warrant their inclusions.

Multiple regression analysis performed on these factors using municipal net budgets as dependent variables and assessment, population and kilometerage as explanatory or

independent variables revealed that throughout the range of municipalities approximately 58% of municipal expenditures in New Brunswick are resolved this way.

More significant than this is that, when the classification scheme is brought into this model, the relationships increase almost dramatically. This reveals two things: it is further evidence of the propriety of classifying municipalities and it illustrates the significance of the relationship between assessment, population and road kilometerage in determining municipalities' budgets.

The relationship of the variables, revealed in this way, allow the calculation of a "derived net budget" for each municipality based, to a degree, on fiscal need, but independent of a municipality's actual spending.

This scenario, then, sees funding provided based on a uniform percentage of these derived net budgets based on the availability of funds as determined by the grant pools.

Although this scenario comes closer to recognizing the needs of municipalities, the results would indicate that, in many cases, there is not adequate reflection of fiscal need. This occurrence is more frequent in Classes C and D. On an individual basis it is impossible to isolate and account for all of the factors which determine the expenditure pressures of individual municipalities. All municipalities have unique individual characteristics and many have expressed the concern that there is not adequate recognition of their individual needs and problems

in the current Unconditional Grant structure. This alternative cannot identify these specifics and certainly cannot address the expenditure pressures exerted by these items.

From a practical point of view, this alternative involves complicated calculation which makes it not only difficult to portray but also makes it difficult to trace in a dynamic sense.

**Desirable Features of a Grant Formula**

Each of the scenarios described has represented either an attempt to fix the formula or to replace it with a new formula in order to arrive at an improved distribution of Unconditional Grant funding. It has been demonstrated, however, that each attempt has suffered from some shortcoming or produced some undesirable result. It is also evident that each scenario has fallen short in its attempt to adequately reflect fiscal need.

There are, however, desirable features which may be extracted from these scenarios.

Class of Municipalities - Grouping municipalities in classes creates a situation where the needs, resources and aspirations of similar municipalities are compared.

Grant Pools - Rather than determining one overall amount of grant fund, it is desirable to determine annually a grant fund for each class of municipality. This allows for the creation of each

grant pool on the basis of fiscal need and should reflect changes in requirements and responsibilities. This matter is dealt with more fully in Chapter Eight.

Tax Rate Denominator in place of Assessment Base - The Tax Rate Denominator is a better reflection of pure revenue need than the assessment base. Tax Rate Denominator reflects the total amount of revenue a municipality is capable of generating with its local tax rate in comparison to another similar municipality. It is desirable to use this base when a grant formula has another component which addresses fiscal need.

Expenditure Base - It is desirable to utilize an expenditure base which is an accurate reflection of a municipality's needs to provide services. Standard expenditures which utilize averages do not accurately reflect this need. The best available reflection of a municipality's need is its actual budget. The use of actual net budget in such a way that a municipality does not alter its spending pattern to influence its grant support would achieve the goal of reflecting municipalities' fiscal needs. This could be achieved by indexing, annually, the established net budget base by the annual change in a price index (e.g. the Consumer Price Index).

Measure of Fiscal Need - Tax Effort - All of the improvements and refinements suggested thus far do address specific issues and can make for a better distribution of funds.

The main factor that is lacking and the one that was addressed either explicitly or implicitly in many presentations by municipalities, is the formula's lack of recognition of fiscal need. Recognizing that all municipalities have particular individual requirements, special needs and unusual expenditures, it would be impossible to specifically address these aspects in a grant formula. Can they be addressed in a non-specific way?

Since any expenditure pressure exerted on a municipality, regardless of the source, must be financed, in part, on a municipality's local warrant, it is possible to capture these concerns by examining the degree to which a municipality incurs expenditures and utilizes the tax base available to it in comparison to similar municipalities. This concept of tax effort is based on sound principles of public finance and is considered to be an accurate and dynamic reflection of fiscal need.

# CHAPTER SIX

## PROPOSED FORMULA

### Proposal

It is possible to construct an Unconditional Grant formula which combines the desirable features of the alternatives identified, with the inclusion of a measure of fiscal need. This proposal is a blend of what are considered to be the best features of the current formula and alternate formulae. This proposed formula can be described as the current formula within classes of municipalities, with a revised expenditure base, a more appropriate assessment base and density measure and the application of tax effort. **It must be stressed that this proposal is valid only in its entirety and must be viewed as one unit even though its elements are contained in the other alternatives and the current formula.** The graded population adjustment cannot be eliminated without the institution of the tax effort adjustment. The tax effort adjustment necessitates using the Tax Rate Denominator as the assessment base in measuring pure revenue need rather than the municipal assessment base. The tax effort adjustment can only feasibly be performed on classes of municipalities. The components of this formula are assembled in such a way that, in combination, the various needs of municipalities (revenue need, expenditure need and fiscal need) are all properly addressed.

**Classes**

This proposal, first of all, establishes four classes of municipalities based on similarities in population, net budget, net budget per capita, services and "urban character" A profile of the classes is presented as Table 4. A detailed profile is presented as Appendix 4.

Class A - Class A is comprised of those municipalities which represent the municipal core of the only metropolitan areas in the province. It includes only the three largest cities - Saint John, Moncton and Fredericton. Accordingly, the population range is from a low of some 43,000 for Fredericton to a high of more than 80,000 for Saint John. The 1986 net budgets range from $25 million for Fredericton to $62 million for Saint John. Net budget per capita is lowest for Fredericton at $578 and highest in Saint John at $771.

Municipalities in the first group are significantly larger than other municipalities regardless of the measure used. Indeed, the average population for these large municipalities is approximately four times the population of Bathurst, the largest municipality in the second group. Their considerable size sets them apart from all other municipalities even though municipalities in Group B exhibit similarities in certain characteristics.

Municipalities in Class A are distinct from the other groups in the range and scale of public services provided. This is reflected both in the types of services provided and in the way in which they are delivered.

Another significant feature is the fact that each municipality has a discernible economic base which provides employment both to their residents but also to residents of surrounding municipalities and non-incorporated areas. One consequence of this is the fact that both public (federal, provincial and municipal) and private services are provided by these municipalities to a significant regional population. This has an impact on per capita expenditures, an impact that is partially offset by a relatively higher tax base.

Class B - Class B includes the three other cities in the Province - Bathurst, Edmundston and Campbellton - and five of the towns - Oromocto, Dieppe, Chatham, Newcastle, and Dalhousie. Municipalities in this group exhibit many of the same characteristics as those in the first group, but on a lesser scale. Municipalities in this group are characterized by relatively large populations, net budgets and per capita expenditures.

As is the case with municipalities in Class A, those in Class B generally provide a wide range and scale of public services. As is the case with Class A also, each municipality has a discernible economic base which provides employment both to residents and non-residents and most public and private services

## Table 4

## Profile of Classes of Municipalities

| CLASSES | | 1981 POP-ULATION | 1981 AREA SQ.KM. | 1986 TOTAL RD/KM | 1986 NET BUDGET |
|---|---|---|---|---|---|
| CLASS (A) | MINIMUM | 43,723 | 128.91 | 290.527 | 25,268,973 |
| | AVERAGE | 59,662 | 197.70 | 373.843 | 41,178,408 |
| | MAXIMUM | 80,521 | 322.71 | 492.856 | 62,148,224 |
| | TOTAL | 178,987 | 593.09 | 1121.530 | 123,535,223 |
| CLASS (B) | MINIMUM | 5,707 | 11.65 | 43.856 | 2,727,463 |
| | AVERAGE | 9,239 | 31.59 | 69.256 | 4,937,731 |
| | MAXIMUM | 15,705 | 90.99 | 140.417 | 9,008,853 |
| | TOTAL | 73,912 | 252.69 | 554.050 | 39,501,849 |
| CLASS (C) | MINIMUM | 1,163 | 2.28 | 17.003 | 536,742 |
| | AVERAGE | 3,764 | 19.30 | 40.182 | 1,384,831 |
| | MAXIMUM | 14,907 | 74.80 | 95.178 | 5,356,728 |
| | TOTAL | 94,105 | 482.38 | 1004.553 | 34,620,778 |
| CLASS (D) | MINIMUM | 242 | 1.99 | 4.524 | 36,432 |
| | AVERAGE | 1,051 | 16.56 | 18.119 | 285,119 |
| | MAXIMUM | 3,399 | 109.63 | 72.055 | 802,913 |
| | TOTAL | 81,993 | 1291.98 | 1413.260 | 22,239,277 |
| OVERALL TOTALS | MINIMUM | 242 | 1.99 | 4.524 | 36,432 |
| | AVERAGE | 3,763 | 22.98 | 35.907 | 1,928,922 |
| | MAXIMUM | 80,521 | 322.71 | 492.856 | 62,148,224 |
| | TOTAL | 428,997 | 2620.14 | 4093.393 | 215,994,138 |

| 1986 NET BUDGET PER CAPITA | 1986 MUNICIPAL ASSESSMENT BASE $ MILLIONS | 1986 TAX RATE DENOMINATOR $ MILLIONS |
|---|---|---|
| 577.93 | 1352.0 | 1547.1 |
| 669.84 | 1529.5 | 1784.2 |
| 771.83 | 1872.4 | 2251.8 |
| | 4588.6 | 5352.4 |
| 402.34 | 108.6 | 121.7 |
| 532.14 | 213.0 | 242.3 |
| 636.02 | 371.9 | 420.3 |
| | 1704.4 | 1938.7 |
| 183.39 | 24.8 | 29.0 |
| 376.55 | 79.3 | 85.6 |
| 548.41 | 293.3 | 304.6 |
| | 1983.2 | 2141.1 |
| 128.57 | 2.3 | 2.3 |
| 270.63 | 16.2 | 17.4 |
| 561.66 | 42.8 | 45.5 |
| | 1261.8 | 1356.1 |
| 128.57 | 2.3 | 2.3 |
| 771.83 | 83.7 | 94.6 |
| 322.71 | 1872.4 | 2251.8 |
| | 9538.0 | 10788.3 |

are provided by these areas to a significant regional population. The impact of these services is reflected in per capita expenditures. In three instances - Edmundston, Newcastle and Dalhousie - per capita expenditures exceed those of Fredericton.

Class C - Class C is comprised of nineteen (19) towns and six of the larger villages. Municipalities in this group generally serve as bedroom communities to larger municipalities as is the case of Riverview and Quispamsis or serve as regional service centers such as Woodstock. In any case these municipalities tend to provide a relatively broad range of public services and exhibit some of the characteristics of those in Class B. The relatively high level of public services provided is reflected both in per capita expenditures and in taxation relative to Class D.

Class D - Class D was established as one large group after a number of attempts to stratify and categorize the several municipalities not easily captured in the first three classes into two or more classes. In every attempt that was made to do this, it was virtually impossible to identify means of categorizing the municipalities in such a way as to identify common determinants of municipal expenditures. In fact much more statistically significant results were obtained by grouping all of these municipalities into one.

The municipalities not included in the first three classes, some 78 in all, are included in Class D. Therefore, it includes 2 towns and the remainder of the villages. While in relative terms there is a wide variation in net budgets, population, assessments, etc. in absolute terms, the variations are not as great. It should be noted, however, that there is a very wide variation in per capita expenditures which range from $129 for Millville to $562 for St. Joseph.

The most significant feature of Class D municipalities is their size relative to the other municipalities. In all instances net budgets are then than $1 million; only 11 municipalities have net budgets greater than $.5 million and 9 municipalities have net budgets less than $100,000. Population ranges from 3399 for Minto to 242 for Meductic; 41 have populations less than 1,000. Because of the wide variation in area of municipalities in Class D, the relative uniformity in population density that exists in the other three classes does not exist. Population density ranges from 3.9 persons per square kilometer in Cambridge-Narrows to 643 persons per square kilometer in St. Quentin.

**Grant Pools**

The second feature of this proposal is that "grant pools" of Unconditional Grant funding available for each class be established based on the actual current allocation of Unconditional Grant funding. This allows for a balance in the allocation of grant funds between fiscal need as measured by expenditures and fiscal need as measured by the need for equalization among the classes.

**The Conceptual Framework**

The establishment of classes of municipalities and of grant pools for each class represents a basic element of the conceptual framework for the proposed Unconditional Grant formula. It ensures that similar municipalities are compared and, therefore, establishes important reference points for the determination of fiscal capacity and fiscal need.

Having established the classes of municipalities, the formula begins with the premise that without a limit on funding available municipalities will receive Unconditional Grant support equivalent to 55.5% of their expenditure base in any given year. The actual base percentage of grant support is determined by the availability of funding within the classes. Whether a given municipality receives more or less than this amount depends on its relative fiscal capacity, its density and its fiscal need.

The primary determinant of grant support is based on a municipality's ability to generate revenue from its tax base relative to others in its class. This is the purpose of the

assessment allocation. It compares a municipality's fiscal capacity to the fiscal capacity of other municipalities in its class.

The second calculation in the formula, the density allocation, compares the concentration of a municipality's assessment to other municipalities in the class. The density allocation is intended to reflect the fact that the more sparse the concentration of assessment is in a municipality, the higher the cost of providing municipal services. As is the case with the current formula, a weight of one-quarter is applied to this factor to reflect the lesser impact of density on a municipality's fiscal need than its fiscal capacity.

As noted, the tax effort adjustment is, in fact, an adjustment and not a component as is the case with the assessment allocation and density allocation. It simply compares the extent to which a municipality incurs expenditures and uses its tax base to generate revenues relative to others in its class. It is a basic measure of fiscal need in the formula.

As illustrated, the assessment allocation and the density allocation and the tax effort adjustment, in combination, determine the extent to which a municipality's percentage of grant support will vary from the initial 55.5%. A municipality which has a lower than average fiscal capacity, a sparser than average distribution of assessment and a higher than average fiscal need will receive a base percentage of Unconditional Grant greater than 55.5%. A municipality which has a higher than average fiscal capacity, a more concentrated than average

distribution of assessment and a lower than average fiscal need will receive a base percentage of Unconditional Grant support less than 55.5%. **It is imperative that one recognize that it is the inter-play of all these factors that ultimately determine grant support.**

Since there is a limit on the total amount of Unconditional Grant funding available, the basic percentage of Unconditional Grant funding is influenced by this factor. This is similar to what occurs with the current formula. It differs, however, because there are grant pools. As a consequence, the "factor" - the ratio of Unconditional Grant funding available to the amount of funding determined solely by the formula - varies by class. As illustrated, the basic percentage of Unconditional Grant support indicated by the simulation of the proposed formula for 1986 averages about 40 percent for the first three classes but is considerably higher, 47.5 percent, for Class D. The Class D result can be considered in the context of the municipal concerns noted earlier respecting the inability of villages to provide reasonable standards of service.

# HOW THE PROPOSED UNCONDITIONAL GRANT FORMULA WORKS

**PREMISE:** Municipalities receive an equal Percentage of Unconditional Grant Support:

*55.5% (of 1986 Net Budget Indexed)*

Adjusted for: **ASSESSMENT ALLOCATION**

**DENSITY ALLOCATION**

**TAX EFFORT**

**GRANT POOL**

# COMPONENTS OF THE PROPOSED UNCONDITIONAL GRANT FORMULA

| COMPONENT | CONCEPT | CALCULATION |
|---|---|---|
| ASSESSMENT ALLOCATION | Compares a municipality's ability to generate revenue from its tax base to others in class | Municipality's tax rate denominator multiplied by ratio of average per capita T.R.D. for class to municipality |
| DENSITY ALLOCATION | Compares the concentration of municipality's assessment to others in class. The more sparse is the concentration of assessment the higher the cost to provide services. | Municipality's T.R.D. multiplied by ratio of T.R.D. per road kilometer for class to municipality |
| TAX EFFORT | Compares the extent to which a municipality incurs expenditures and uses its tax base to generate revenues compared to others in class. | Municipality's local warrant in previous year divided by local warrant it would have generated with average tax rate for class. |

# HOW THE PROPOSED UNCONDITIONAL GRANT FORMULA WORKS

The Assessment Allocation, Density Allocation, and Tax Effort Adjustment, in combination, alter a municipality's percentage of grant support from the initial 55.5%

--more if a municipality (a) has a lower than average fiscal capacity
(b)has a sparser than average distribution of assessment
(c)has a higher than average fiscal need.

| COMPONENT | CONCEPT | CALCULATION |
|---|---|---|
| FINAL ADJUSTMENT | Since the amount of funds available to any grant pool is less than the average 55.5% of municipal budgets, an overall adjustment is necessary. | Grant pool divided by amount Unconditional Grant determined solely by formula. |

# HOW THE PROPOSED UNCONDITIONAL GRANT FORMULA WORKS

The Basic Percentage of Grant Support depends on Grant Pools in **Class** compared to amount of grant as calculated by formula.

| *BASIC AMOUNT OF GRANT SUPPORT BY CLASS* | |
|---|---|
| CLASS A | 40.8% |
| CLASS B | 39.4% |
| CLASS C | 39.5% |
| CLASS D | 47.5% |

# PERCENTAGE OF GRANT SUPPORT
# SELECTED MUNICIPALITIES
# PROPOSED UNCONDITIONAL GRANT FORMULA, 1986
# MUNICIPAL CHARACTERISTICS

| | Lower Fiscal Capacity, Lower Density, Higher Tax Effort | Higher Fiscal Capacity, Higher Density, Lower Tax Effort |
|---|---|---|
| Class A | Saint John<br>49.9% | Fredericton<br>46.4% |
| Class B | Campbellton<br>65.0% | Oromocto<br>45.1% |
| Class C | Beresford<br>67.7% | Atholville<br>41.2% |
| Class D | Pointe-Verte<br>7[illegible].3% | East-Riverside<br>38.4% |

**How the Proposed Unconditional Grant Formula Works**

The calculation of the Unconditional Grant for Class B is presented as Table 5. The calculation for all municipalities is presented as Appendix 5.

Components of the Formula - The first part of the formula for calculating the Unconditional Grant for each municipality within a class is the current formula but with new components. These new components for calculation of percentage of grant support are as follows:

1) assessment is replaced by tax rate denominator as the basic revenue equalization measure. The tax rate denominator more closely approximates the municipal tax base or, put another way, the extent to which a municipality can utilize its tax base to generate local property tax revenue. The tax rate denominator is a measure used as the base on which the residential municipal property tax rate can be determined. The tax rate denominator is equal to residential assessment plus one and one-half times the non-residential assessment. This reflects the property tax system in the province in which the non-residential tax rate is one and one-half times the residential property tax rate.

2) the density measure used in the proposed new formula utilizes total road kilometers in a municipality (provincial plus municipal) rather than the current measure of municipal kilometers plus one-half provincial kilometers. This change is proposed because the kilometerage factor in the formula is really a density factor. The current usage of one-half the provincial kilometerage is arbitrary and is intended to reflect limited municipal responsibilities for provincially designated highways in municipalities. (In fact, some of the analyses that we have undertaken suggests that the pure size of a municipality e.g. hectares would be as good a measure of density as total kilometerage).

Although the proposal, as well as the other alternatives that have been developed to date, use Census (1981) population data, the formula, when implemented, could use current estimates of municipal population. These estimates are currently being developed by the New Brunswick Statistics Agency.

Expenditure Base - The expenditure base proposed is the net budget in a base year e.g. 1986 indexed by the C.P.I. with allowance made for recognition of unusual growth. This could include an adjustment for population where significant population growth has occurred in a municipality between the Censes. This expenditure base would be a better reflection of fiscal need, particularly since use of 1986 as a base year would incorporate

Table 5

# CALCULATION OF PROPOSED UNCONDITIONAL GRANT - CLASS B

| | | ASSESSMENT ALLOCATION | | | DENSITY ALLOCATION | | | |
|---|---|---|---|---|---|---|---|---|
| MUNICIPALITY | POPULATION | ASSESSMENT BASE (TAX RATE DENOMINATOR) | ASSESSMENT PER CAPITA (COL 3/ COL 2) | INTERMEDIATE GRANT BASE (COL 3*OVERALL ASSESSMENT P.C. /MUNICIPAL ASSESSMENT P.C.) | TOTAL RD KM | ASSESSMENT PER RD KM (COL 3/ COL 6) | INTERMEDIATE GRANT BASE (COL 3 *OVERALL ASSESSMENT PER KM /MUNICIPAL ASSESSMENT PER KM) | UNADJUSTED GRANT BASE (COL 5 + 1/4 COL 8) |
| COL #1 | COL #2 | COL #3 | COL #4 | COL #5 | COL #6 | COL #7 | COL #8 | COL #9 |
| Bathurst | 15,705 | 420,266,250 | 26,760 | 411,935,157 | 140.417 | 2,992,987 | 491,333,757 | 534,768,596 |
| Campbellton | 9,818 | 193,239,450 | 19,682 | 257,521,768 | 62.295 | 3,102,306 | 217,976,715 | 312,015,347 |
| Chatham | 6,779 | 121,704,550 | 17,953 | 177,810,152 | 44.508 | 2,734,442 | 155,738,143 | 216,744,687 |
| Dalhousie | 5,707 | 167,405,250 | 29,333 | 149,692,069 | 43.356 | 3,817,157 | 153,456,727 | 188,056,251 |
| Dieppe | 8,511 | 223,990,950 | 26,318 | 223,239,740 | 71.997 | 3,111,114 | 251,925,027 | 286,220,997 |
| Edmundston | 12,044 | 354,919,650 | 29,469 | 315,908,757 | 73.852 | 4,805,823 | 258,415,866 | 380,512,724 |
| Newcastle | 6,284 | 176,332,200 | 28,061 | 164,826,522 | 57.272 | 3,078,855 | 200,400,713 | 214,926,700 |
| Oromocto | 9,064 | 280,820,850 | 30,982 | 237,744,684 | 58.953 | 4,891,839 | 209,431,902 | 290,102,680 |
| | 73,912 | 1,938,678,850 | 26,230 | | 554.050 | 3,499,105 | | |

| TAX EFFORT | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| TAX RATE DENOMINATOR (PREVIOUS YEAR) | LOCAL WARRANT (PREVIOUS YEAR) | TAX RATE BY CLASS | CAPACITY | TAX EFFORT | ADJUSTED GRANT BASE | ADJUSTED GRANT BASE PLUS INITIAL GRANT BASE | PERCENTAGE OF GRANT SUPPORT | EXPENDITURE BASE | UNADJUSTED GRANT ALLOCATION | GRANT POOL | FINAL ADJUSTMENT | UNCONDITIONAL GRANT |
| | | (COL 11/ COL 10) | (COL 10 * COL 12) | (COL 11/ COL 13) | (COL 9 * COL 14) | (COL 15 + COL 3) | (COL 15 / COL 16) | | (COL 17 * COL 18) | | (COL 20 / COL 19) | (COL 19 * COL 21) |
| COL #10 | COL #11 | COL #12 | COL #13 | COL #14 | COL #15 | COL #16 | COL #17 | COL #18 | COL #19 | COL #20 | COL #21 | COL #22 |
| 390,619,150 | 4,980,383 | | 4,782,869 | 104.13% | 556,852,471 | 977,118,721 | 56.99% | 9,008,853 | 5,134,376 | | | 3,646,786 |
| 177,897,300 | 2,498,369 | | 2,178,233 | 114.70% | 357,873,104 | 551,112,554 | 64.34% | 5,135,629 | 3,334,397 | | | 2,368,811 |
| 108,338,100 | 1,385,931 | | 1,326,527 | 104.48% | 226,450,821 | 348,155,371 | 65.04% | 2,727,463 | 1,774,025 | | | 1,260,108 |
| 158,579,050 | 2,045,828 | | 1,941,694 | 105.36% | 198,141,809 | 365,547,059 | 54.20% | 3,629,755 | 1,967,479 | | | 1,397,520 |
| 208,686,000 | 2,047,103 | | 2,555,220 | 80.11% | 229,304,677 | 453,295,527 | 50.59% | 3,848,670 | 1,946,893 | | | 1,382,898 |
| 319,978,000 | 4,115,550 | | 3,917,916 | 105.04% | 399,707,217 | 754,626,867 | 52.97% | 7,033,993 | 3,725,732 | | | 2,646,425 |
| 145,815,450 | 2,038,638 | | 1,785,412 | 114.18% | 245,409,848 | 421,742,048 | 58.19% | 3,998,407 | 2,268,466 | | | 1,611,314 |
| 247,713,250 | 2,409,151 | | 3,033,082 | 79.43% | 230,426,030 | 511,246,680 | 45.07% | 4,219,079 | 1,901,598 | | | 1,350,724 |
| 1,757,626,300 | 21,520,953 | 1.22443 | | | | | | | 22,053,167 | 15,664,587 | 71.0310% | 15,664,587 |

the net budget in a year where no legislated limit on municipal budgets were imposed. Indexation would ensure that the expenditure base remains current.

There is no graded population adjustment in this alternative since its objectives are addressed both in the establishment of grant pools and with the tax effort adjustment.

Tax Effort - The next adjustment made to the grant apportionment is for tax effort. The tax effort calculation is a pure adjustment as it will augment or reduce a municipality's grant entitlement dependent on if there is above average or below average tax effort. It is an adjustment and does not involve distribution of a specific amount of funds.

In order to insure that the adjustment impacts only on that portion of municipalities' budgets funded by the unconditional grant, the calculated tax effort is applied to the grant base prior to the calculation of the percentage of grant support. Applied in this way rather than as a final adjustment after grant entitlement has been calculated is in keeping with the commonly accepted view of the role of the grant in New Brunswick in providing a foundation grant that equalizes fiscal circumstances. In this role, the starting point is a given average percentage of all budgets . This indicates the proper placement of tax effort within grant calculation rather than after the fact.

This application of tax effort should also ensure that it does not lead to a spending incentive situation or to erosion of local autonomy by eliminating the desirability of utilizing part of grant entitlement to maintain a lower level of tax rate.

An alternate application of tax effort, specifically an adjustment to final grant apportionment, produces results which move grant funding to municipalities with a high fiscal need as evidenced by above average tax effort from those with low tax effort, however, this movement may, in fact, overcompensate. Applied in this way, a municipality with a high demonstrated tax effort in a given year could receive such a substantial amount of additional funding that a low tax effort would result in the ensuing year. Aside from the destabilizing effects of this application, the considerable effects on grant apportionment of tax effort application this way might run the risk of producing a spending incentive. By the same token, respect for local autonomy dictates that municipalities should be allowed to use part of their unconditional grant fund to maintain a lower level of tax rate. By applying tax effort after final grant calculation imposes such a severe penalty on below average tax effort that it effectively removes this option.

Various weightings of the effects of tax effort were tested in an attempt to rectify these problems with tax effort applied on the same location. While these attempts did lessen the effects noted above, it became apparent that the necessity to make such profound adjustments implied that the tax effort was misallocated.

By placing the tax effort adjustment in its proper placement, inside the formula, insures that it is impacting on the appropriate component of grant funding: the equalization component.

The final adjustment accounts for the availability of grant funding provided by the Province to each grant pool into account. It compares the amount of grant calculated to the amount available to each grant pool. This is synomous with the adjustment factor used in the current formula except that in the proposed formula a separate factor for each pool is calculated. This adjustment is necessary because, as with the current formula, the proposed formula begins under the premise that on average, without a budget constraint, it will fund 55.5% of the municipal expenditure base in the formula.

It is also proposed as part of this formula that a minimum tax rate apply. The application of this minimum rate ensures that grant funding cannot reduce a municipality's tax rate below the minimum provincial property tax rate Local Service Districts. Currently, this rate is $0.65 per $100 assessment levied on ower-occupied residential property. Although this factor is not expected to take effect for many municipalities nor is the amount of funding involved substantial, it is felt that it respects the basic philosophy for the existence and creation of municipalities in New Brunswick. The institution of the minimum tax rate would also tend to discourage Local Service Districts from requesting incorporation in order to achieve a lower tax rate. (See Chapter Eight)

**Summary**

This proposal is a blend of what are considered to be the best features of the current formula and alternate formulae. It has eliminated or modified aspects of the current formula that are arbitrary in nature. The classification strategy ensures that similar municipalities are compared and are treated in a similar manner. The expenditure base is a much more accurate reflection of current expenditures. Finally, the tax effort adjustment not only accurately reflects fiscal need in the formula but should ensure that changing circumstances of municipalities are recognized. The application of a tax effort adjustment is an integral and essential aspect of the preferred alternate.

The proposed formula respects those general principles which deal with the actual distribution of funds. Its equalization properties are considered to be strong by virtue of the combination of equalization components and where such a substantial amount of funds is distributed by equalization methods.

The proposed formula is relatively simple. It contains some of the familiar features of the current formula but removes or replaces those which are arbitrary in nature.

The proposed formula should retain a flexibility in its method of distributing funds. The improved measures incorporated into the formula should be much more sensitive to the changing needs of New Brunswick municipalities.

The proposed grant formula respects public finance principles to a greater degree than the current formula. It would allow the Unconditional Grant to maintain its current role, i.e. to provide a significant source of revenue to municipalities in recognition that certain public services can best be provided by local governments. Similarly it should provide municipalities with sufficient fiscal resources to enable them to provide comparable standard of services without excessive taxation.

All municipalities would continue to receive a basic amount of Unconditional Grant support which is adjusted according to their tax base, density, and population. This grant support would be based, however, on comparisons with similar municipalities, a comparison which would also include tax effort as a basic measure of fiscal need.

In short, it is felt that this proposed formula represents a distribution of Unconditional Grant funding in a manner more attuned to the municipality of the 1980's; a formula which will react to and accommodate, in a much more immediate fashion, changing fiscal capacity and requirements of all municipalities.

# CHAPTER SEVEN

## IMPACT OF THE PROPOSED FORMULA

The analysis of the results of the proposed alternative Unconditional Grant uses the current Grant distribution as a benchmark for examining the impact of the new formula based on actual grant funding and a simulation of the proposed formula for 1986.. This comparison is feasible and valid since both the current formula and the proposed alternative use similar overall amounts of grant funding; there is no net loss or gain to the range of municipalities. This starting point allows for the isolation and analysis of the impact of the various new revised or eliminated elements in the proposed formula as compared to the current.

It is significant also that the creation of the grant pools for each is class based on the current grant distribution among the pools. This allows for a further narrowing of comparative analysis to the municipalities within each class. This does not imply that the actual creation of classes and grant pools have no net effect on the amount of grant funding to individual municipalities; indeed it does. What is significant is that the change in the grant allotment to an individual municipality resulting from the proposed alternative has no impact on and bears no relationship to the change in grant to a

municipality in another class. In fact, this reflects the principle underlying the establishment of classes; that similar municipalities are compared.

The analysis of the effects of the proposed Unconditional Grant formula will focus, then, on the effects within each class. Firstly, the analysis will examine the overall impact of the new formula. Secondly, it will focus on the impacts of the various changes contributing to the new formula. Finally, the contribution of each component of the proposed formula will be isolated. A point that has been made earlier deserves reiteration at this point: it is the inter-play of the elements of the formula that ultimately determines grant support. The analysis of the isolated impact should, therefore, be considered in the context.

**Class A**

The results produced in Class A of the application of the proposed formula are predictably quite even. This is hardly surprising given that this class contains the smallest number of municipalities and given the nature of the municipalities in this class. In fact, the overall displacement of grant funds in Class A amounts to just over $315,000 or only about 0.6% of the total grant pool. This amount is synonomous with the decrease in funding to Fredericton and accrues primarily to Saint John with a lesser portion, about $100,000, representing increased funding to Moncton.

The resultant impact on tax rates is correspondingly light; Fredericton's rate would increase by about 2¢ while Saint John's rate would drop 1.5¢ and Moncton's would remain virtually the same.

Isolating the impact of individual changes in the formula reveals more significant changes that, in the final analysis, produce a "netting out" effect.

Assessment Base

The current Unconditional Grant Formula utilizes Municipal Assessment Base while the proposed formula uses Tax Rate Denominator. Predictably, within any given class, a municipality with a relatively low amount of non-residential assessment would benefit in grant support from this change in base. Similarly, a municipality with a strong non-residential assessment base would receive less support. Saint John, therefore, with its relatively high proportion of non-residential assessment receives some $200,000 less funding as a result of the change to the Tax Rate Denominator. Where Saint John is an example of above-average mix of non-residential assessment to total assessment, Fredericton has a lower than average (for its class) amount of non-residential assessment.

Tax Rate Denominator in the proposed formula, increases Fredericton's funding by about $107,000. Moncton also benefits from the use of Tax Rate Denominator to the extent of about $83,000.

Density Measure

It is predictable that the change in the density measure from Municipal Kilometers plus one half of Provincial Kilometers to Total Kilometerage within a municipality will not have a very significant impact on funding, particularly in Class A. This is partly due to the 1/4 weight on this component but also because the ratio of municipal to provincial kilometers is relatively constant, particularly amongst larger municipalities. The total grant displacement from this revision is only some $9,600. This accrues to Fredericton, the greatest portion of which ($8400) represents loss in funding to Saint John.

Expenditure Base

The proposed formula utilizes actual 1986 Net Budget as the expenditure base as it is undeniably a better reflection of fiscal need than "approved shareable expenditures" in the current formula. The effect of this revised expenditure base is not particularly significant in Class A. Its significance, however, will be better realized in other classes.

The overall ratio of Net Budget to Approved Shareable Expenditure in Class A is 108.9%. The ratio for Fredericton is about 111%, therefore, Fredericton benefits to the extent of some $160,000 from this expenditure base. Since Saint John's ratio, 108.93% is at the average only $30,000 accrues to Saint John from this factor. Moncton is below average with a ratio of 107.4%, therefore forfeits the $190,000 which represents the overall displacement.

Tax Effort

The Tax Effort adjustment represents the single most significant realignment of funding within Class A. It is also felt to represent the most significant of the revisions which constitute the proposed formula. The magnitude of this adjustment is reflected in the substantial variation in fiscal capacities among Class A municipalities. Fredericton has a fiscal capacity index of 1.1 as compared to .95 for Moncton and .94 for Saint John.

The calculations of tax effort in the proposed formula show Fredericton with 81.06, Moncton with 99.77, and Saint John with 112.2. The effect on grant funding with the tax effort adjustment on the unadjusted grant base translates into a gross reduction in grant funding for Fredericton of about $1,000,000, a decrease for Moncton of about $100,000 and an increase for Saint John of approximately $1,100,000. These amounts translate into percentages of total grant funding of 11.5% for Fredericton, .67% for Moncton and 4.17% for Saint John.

Graded Population Adjustment

The creation of the grant pools in the proposed formula eliminates the need for a Graded Population Adjustment among classes. The impact of the elimination of this component of the current formula, on the overall classes, therefore, is nil. Within the classes, and only significant in Classes A and B, this elimination means a redistribution of funding. The Tax Effort adjustment performs the function of the graded population

adjustment more realistically and practically as well as measuring fiscal need as reflected in any number of other expenditure pressures.

When analyzed in isolation, it is possible to examine only the effects of the elimination of the graded population adjustment on the individuals of a class. Within Class A, this means a gross reduction in funding to Saint John of about $485,000 with roughly equal portions of that accruing to Moncton and Fredericton.

Classification

As described at the outset, the creation of classes of municipalities does not produce any net effect on any class. However, the distribution amongst the members of a class does produce a certain shifting in grant funds. The results of imposing the classification scheme on grant funding were isolated by imputing the classification on the current formula. This analysis reveals that Fredericton's grant is enhanced by some $165,000, Moncton's by $50,000 and Saint John's reduced by $215,000 as a result of this "fairer" comparison.

**Components of Proposed Formula**

It will be recalled that the current formula begins with the premise that it will fund 55.5% of municipal expenditure bases and, in any given year, that percentage adjusted by the availability of funds. The adjusted overall percentage of grant support in 1986 is 41.5%. Whether a given municipality receives

more or less than this amount depends on its assessment per capita and assessment per kilometer relative to the average for all municipalities, and, for these municipalities with a population greater than 5,000, the extent which its population exceeds 5,000.

The proposed formula begins with the same premise, that of funding 55.5% of municipal expenditures. However, with the creation of pools, the actual average percent of support varies from class to class. The factors affecting this degree of support remain assessment per capita (with an improved assessment base) and assessment per kilometer (with a less arbitrary measure). The Graded Population adjustment is eliminated and Tax Effort is incorporated. Unlike the assessment and density allocation, the tax effort component does not allocate a specific portion of funds. Also, unlike the graded population adjustment, it does not only enhance funding where applicable. It is a "pure" adjustment. Within any given class, tax effort "shifts" funding from municipalities with low tax effort to those with high tax effort. Its impact on a given municipality's percentage of grant support, therefore, emerges as an enhancement or reduction in grant support.

It is possible to isolate, for each class, the impact of the Assessment allocation, Density allocation (Kilometerage factor) and Tax Effort adjustment on the total final percentage of grant support. This break-out for Class A is presented in Table 6.

## Table 6

### Component Contribution of Unconditional Grant Support
### Class A

| MUNICIPALITY | UNADJUSTED % OF GRANT SUPPORT ASSESSMENT ALLOCATION | ADJUSTED % OF GRANT SUPPORT ASSESSMENT ALLOCATION | ASSESSMENT ALLOCATION CONTRIBUTION | UNADJUSTED % OF GRANT SUPPORT DENSITY ALLOCATION | ADJUSTED % OF GRANT SUPPORT DENSITY ALLOCATION | DENSITY ALLOCATION CONTRIBUTION |
|---|---|---|---|---|---|---|
| Fredericton | 40.84% | 30.40% | 7,581,803 | 10.83% | 7.95% | 1,010,017 |
| Moncton | 45.55% | 33.46% | 12,085,665 | 11.23% | 9.25% | 2,978,501 |
| Saint John | 45.88% | 33.71% | 20,948,962 | 11.21% | 8.23% | 5,115,927 |
| "AVERAGE" | 44.44% | 32.65% | | 11.11% | 8.15% | |

| UNADJUSTED % OF GRANT SUPPORT TAX EFFORT ADJUSTMENT | ADJUSTED % OF GRANT SUPPORT TAX EFFORT ADJUSTMENT | TAX EFFORT ADJUSTMENT CONTRIBUTION | TOTAL UNADJUSTED % OF GRANT SUPPORT | TOTAL ADJUSTED % OF GRANT SUPPORT | TOTAL UNCONDITIONAL GRANT |
|---|---|---|---|---|---|
| -5.24% | -3.85% | (977,445) | 46.47% | 34.11% | 8,618,375 |
| -0.06% | -0.04% | (14,873) | 56.72% | 41.67% | 15,049,296 |
| 2.79% | 2.05% | 1,275,616 | 99.88% | 43.99% | 27,340,502 |
| 0.00% | 0.00% | | 55.56% | 40.81% | 51,008,172 |

A given municipality's relative revenue need (assessment and density allocations) and fiscal need (Tax Effort) can be seen by the degree to which its grant support varies from the "average". This is graphic evidence of how the proposed formula works to identify and recognize the varying fiscal needs and resources of municipalities.

**Class B**

Class B contains eight municipalities, three cities and five towns. The municipalities in this class reflect a high relative degree of homogeneity. One consequence of these similarities is that the institution of the proposed Unconditional Grant formula would cause a net displacement of only $269,000 or less than 2% of the total grant pool. Of the eight municipalities, five would receive more funding while three would receive less. The most significant reduction in grant would occur in Oromocto. The decrease of $158,000 would cause its tax rate to increase from $.965 to $1.05. Newcastle evidences the greatest positive effect with additional grant of $143,000 causing a reduction in the tax rate from $1.378 to $1.297.

Assessment Base

The adoption of Tax Rate Denominator as the Assessment Base used on the proposed formula results in the displacement of approximately $64,000 of grant. Two municipalities, Dalhousie ($45,000 less) and Newcastle ($17,000 less) account for the greatest portion of this displacement while Campbellton shows the most significant gain with $38,000 additional funding.

Density Measure

The municipalities in Class B display similar mixes of Municipal and Provincial Road Kilometers. For this reason (and due to the weight on the density allocation) the change in the

density measure only redistributes some $22,000. It impacts most significantly on Edmundston, Dieppe, and Dalhousie which benefit to the extent of $8,000, $7,500 and $6,600, respectively. Campbellton, Oromocto and Newcastle each show about a $5,000 reduction as a result of the revised density measure.

Expenditure Base

There are fairly significant variations in the ratios of Net Budgets to Approved Shareable Expenditures among Municipalities in Class B. For this reason, the proposed formula's adoption of 1986 net budget causes some moderately strong alterations in grant amounts. In all, almost $200,000 of grant funding is redistributed as a result of this modification. The overall ratio of Net Budget to Approved Shareable Expenditures for Class B is 107%. Campbellton and Dalhousie each show ratios of 102%. Therefore, the modified expenditure base reduces their funding by about 4%; $100,000 less for Campbellton and $70,000 less for Dalhousie. Dieppe shows the greatest discrepancy between the expenditure bases; their approved shareable expenditures remaining some 15% below their actual budget. For this reason their funding increases by almost $95,000 with the revised base, an increase of about 6.5% in their grant funding.

Tax Effort

As in Class A, of all the changes which comprise the proposed formula, Tax Effort produces the largest shifts in grant funding. The following table displays indices of fiscal capacity and tax effort for Class B:

| MUNICIPALITY | FISCAL CAPACITY % | TAX EFFORT % |
|---|---|---|
| Bathurst | 102 | 104 |
| Campbellton | 75 | 114 |
| Chatham | 68 | 104 |
| Dalhousie | 112 | 105 |
| Dieppe | 100 | 80 |
| Edmundston | 112 | 105 |
| Newcastle | 107 | 114 |
| Oromocto | 118 | 79 |

Dieppe and Oromocto, having low tax efforts for the class lose the most significant amounts of grant; $148,000 for Dieppe and $178,000 for Oromocto. Those with high tax efforts, Campbellton (up $110,000), Edmundston (up $49,000) and Newcastle (up $79,000) show the most significant gains. Total funding reallocated by the tax effort adjustment is approximately $335,000 or about 2% of the grant pool.

Graded Population Adjustment

Where the Graded Population adjustment of the current formula begins with a base population of 5,000, the elimination of this arbitrary measure of one aspect of fiscal need will have a predictable impact on funding to Class B municipalities. Those with larger populations experience reduced funding. This reduces

grant allocation for Bathurst by about $40,000 and Edmundston by $13,000. The remaining municipalities in the class get varying portions of these amounts depending on population. Dalhousie, the smallest member of Class B, receives $14,000 more grant as a result of the elimination of Graded Population Adjustment.

Classification

Where Class B comprises a fairly homogeneous group, comparison amongst themselves rather than over the range of municipalities, as in the current formula, does not produce substantial variations. In fact, less than $20,000 of grant funding is displaced by the classification of these municipalities. This is evidence of the homogeneity of this class.

**Components of Proposed Formula**

An examination of the relative impact of the components of the proposed formula presented in Table 7 gives an indication of where and why given municipalities' funding is greater or less than others. Oromocto, for instance, having the highest assessment per capita receives assessment allocation funding of 41.6% compared to the "average" of 44.4% and a high of 52.5% for Chatham. The adjusted overall percentage of grant support in Class B is 39.7%. Oromocto, Dieppe and Dalhousie, the municipalities whose grant support is less than the "average",

receive less funding for visible reasons relating to revenue need and fiscal need. Similarily those who receive more, do so for reasons relating to these same needs.

## Table 7

### Component Contribution of Unconditional Grant Support Class B

| MUNICIPALITY | UNADJUSTED % OF GRANT SUPPORT ASSESSMENT ALLOCATION | ADJUSTED % OF GRANT SUPPORT ASSESSMENT ALLOCATION | ASSESSMENT ALLOCATION CONTRIBUTION | UNADJUSTED % OF GRANT SUPPORT DENSITY ALLOCATION | ADJUSTED % OF GRANT SUPPORT DENSITY ALLOCATION | DENSITY ALLOCATION CONTRIBUTION |
|---|---|---|---|---|---|---|
| Bathurst | 41.13% | 30.64% | 2,760,115 | 12.86% | 9.14% | 823,029 |
| Campbellton | 30.97% | 36.20% | 1,859,279 | 10.79% | 7.66% | 393,442 |
| Chatham | 52.54% | 37.32% | 1,017,817 | 11.50% | 8.17% | 222,868 |
| Dalhousie | 42.11% | 29.91% | 1,085,754 | 10.79% | 7.67% | 278,265 |
| Dieppe | 43.75% | 31.08% | 1,196,133 | 11.34% | 8.77% | 337,456 |
| Edmundston | 42.96% | 30.51% | 2,146,193 | 8.78% | 6.24% | 438,901 |
| Newcastle | 42.13% | 29.92% | 1,166,536 | 12.80% | 9.10% | 354,577 |
| Oromocto | 41.64% | 29.58% | 1,247,954 | 9.17% | 6.51% | 274,934 |
| "AVERAGE" | 44.44% | 31.57% | | 11.11% | 7.89% | |

| UNADJUSTED % OF GRANT SUPPORT TAX EFFORT ADJUSTMENT | ADJUSTED % OF GRANT SUPPORT TAX EFFORT ADJUSTMENT | TAX EFFORT ADJUSTMENT CONTRIBUTION | TOTAL UNADJUSTED % OF GRANT SUPPORT | TOTAL ADJUSTED % OF GRANT SUPPORT | TOTAL UNCONDITIONAL GRANT |
|---|---|---|---|---|---|
| 0.99% | 0.71% | 63,643 | 56.99% | 40.48% | 3,646,786 |
| 3.18% | 2.26% | 116,090 | 64.94% | 46.13% | 2,768,811 |
| 1.00% | 0.71% | 19,422 | 65.04% | 46.20% | 1,260,108 |
| 1.30% | 0.92% | 33,501 | 54.20% | 38.50% | 1,397,520 |
| -5.51% | -3.92% | (150,693) | 50.59% | 35.93% | 1,382,898 |
| 1.23% | 0.87% | 61,331 | 52.97% | 37.62% | 2,846,425 |
| 3.26% | 2.31% | 90,202 | 58.19% | 41.33% | 1,611,314 |
| -5.74% | -4.08% | (172,064) | 45.07% | 32.01% | 1,350,724 |
| 0.00% | 0.00% | | 55.56% | 39.46% | 15,664,587 |

**Class C**

There are 25 Municipalites in Class C and by virtue of the very size of this class as compared to A and B, one would expect to see greater overall variation as well as offsetting variations amongst the various components of the formula.

Of the twenty-five municipalities, fourteen would receive less funding with the proposed formula and $433,464 would be redistributed as a result. This amounts to just over 3% of funding to that pool.

Atholville shows the greatest percentage of decrease compared to current funding at 22% while Shippagan would receive 15% more funding. The largest absolute reduction in funding would occur in St. Andrews ($53,000). Shippagan and Shediac would receive each about $77,000 more funding.

Assessment Base

Class C municipalities generally fall into one of two categories. Some are regional service centers, such as Shippagan, St. Stephen, and Sackville but on a smaller scale than those in Class B . Others are residential municipalities or "bedroom communities" such as Riverview, Fairvale, Gondola Point, and Quispamsis. This leads to certain inferences about the complexion of the assessment bases of these municipalities. On the one hand, there are municipalities which have a substantial amount of non-residential assessment in their base. On the other hand, municipalities such as Riverview and Gondola Point have tax bases comprised almost entirely of residential properties.

The adoption of Tax Rate Denominator as the assessment base for the proposed formula, therefore, produces changes consistent with the revenue needs as dictated by this situation described. Atholville, Nackawic, Shippagan, St. Stephen and Sussex, all with easily identifiable "strong" non-residential tax bases would receive less funding while those municipalities who do not enjoy this enhanced type of tax base would receive additional funding.

Density Measure

Again, the revision of the density measure is more a conceptual change than a redistribution of funding for Class C. Only $25,000 of funding changes hands in Class C as a result of this modification.

Expenditure Base

The failure of the current formula to adequately reflect changing fiscal need in its expenditure base is graphically reflected in the results produced by the use of new expenditure base in the proposed formula. On average, net budgets of municipalities in Class C are 13% greater than "Approved Shareable Expenditures." However, municipalities which have evidenced considerable and rapid growth over the last decade see their net budgets lagging far behind the current formula's expenditure base, in the case of Fairvale, by some 40%. Other municipalities, typically those with a maturity of services and

stable growth, show net budgets almost at par with approved shareable expenditures. Atholville, Nackawic, St. Andrews, St. Stephen and Sussex are examples.

It is appropriate, indeed essential, that a revised formula recognize these anomolies and it does with the revised expenditure base. Approximately $325,000 of grant funding in Class C is redistributed on this basis. The following table shows those municipalities whose grant funding would be most significantly affected by the revised expenditure base:

EFFECTS OF REVISED EXPENDITURE BASE

| MUNICIPALITY | CHANGE IN FUNDING | | NET BUDGET/APPROVED SHAREABLE EXPENDITURE RATIO |
|---|---|---|---|
| | AMOUNT $ | % OF GRANTS | |
| Fairvale | +48,000 | +20% | 140% |
| Gondola Point | +30,000 | +13% | 129% |
| Grand Bay | +41,000 | +13% | 127% |
| Quispamsiss | +93,000 | +16% | 132% |
| Shippagan | +36,000 | + 7% | 120% |
| St. George | +15,000 | + 8% | 121% |
| Atholville | -24,000 | - 8% | 102% |
| Nackawick | -15,000 | - 5% | 106% |
| St. Andrews | -25,000 | - 7% | 103% |
| St. Stephen | -73,000 | - 7% | 105% |
| Sussex | -55,000 | - 7% | 104% |
| | | AVERAGE | 112.7% |

Tax Effort

The Tax Effort adjustment produces changes in grant funding in Class C consistent with demonstrated fiscal need. In total, some $350,000 of funding is redistributed by the tax effort adjustment in Class C. The following table shows the

change in grant funding to selected municipalities as a result of the incorporation of a tax effort adjustment in the proposed formula.

EFFECTS OF TAX EFFORT
SELECTED MUNICIPALITIES

| Municipality | Tax Effort % | Effect on Grant $ |
|---|---|---|
| Nackawic | 113 | +16,000 |
| Riverview | 107 | +54,000 |
| Shippagan | 128 | +75,000 |
| St. Stephen | 118 | +65,000 |
| Atholville | 87 | -23,000 |
| Bouctouche | 79 | -25,000 |
| Fairvale | 61 | -53,000 |
| St. Andrews | 90 | -20,000 |
| St. Basile | 91 | -21,000 |

Graded Population Adjustment

There are only five municipalities in Class C with populations greater than 5,000 and of these, only Riverview (population 14,907) received any significant amount of funding from this component in the current formula. The elimination of this adjustment in the proposed formula, therefore, although it affects all municipalities in this class due to the redistribution of funding, only significantly affects Riverview, whose grant is reduced by about $39,000.

## Table 8

## Component Contribution of Unconditional Grant Support Class C

| MUNICIPALITY | UNADJUSTED % OF GRANT SUPPORT ASSESSMENT ALLOCATION | ADJUSTED % OF GRANT SUPPORT ASSESSMENT ALLOCATION | ASSESSMENT ALLOCATION CONTRIBUTION | UNADJUSTED % OF GRANT SUPPORT DENSITY ALLOCATION | ADJUSTED % OF GRANT SUPPORT DENSITY ALLOCATION | DENSITY ALLOCATION CONTRIBUTION |
|---|---|---|---|---|---|---|
| Atholville | 36.03% | 25.69% | 205,289 | 8.47% | 6.04% | 48,252 |
| Beresford | 52.19% | 37.91% | 415,696 | 12.83% | 9.15% | 100,284 |
| Bathurst | 30.24% | 34.39% | 206,786 | 14.9?% | 10.64% | 64,000 |
| Caraquet | 41.87% | 29.85% | 529,960 | 15.68% | 11.18% | 198,515 |
| Fairvale | 50.13% | 35.74% | 259,535 | 8.76% | 6.25% | 45,369 |
| Gondola Point | 46.22% | 32.95% | 215,540 | 12.54% | 8.94% | 58,477 |
| Grand Bay | 47.98% | 34.17% | 287,395 | 13.03% | 9.29% | 78,216 |
| Grand Falls | 45.50% | 32.43% | 729,359 | 11.04% | 7.87% | 176,988 |
| Hampton | 46.70% | 33.29% | 246,950 | 15.28% | 10.89% | 80,819 |
| Lameque | 42.87% | 30.56% | 181,897 | 12.03% | 8.58% | 51,062 |
| Miramichi | 36.40% | 25.94% | 173,??? | 11.79% | 8.40% | 62,526 |
| Quispamsis | 44.52% | 31.74% | 543,338 | 12.79% | 9.12% | 156,089 |
| Richibucto | 50.58% | 36.06% | 208,035 | 11.96% | 8.52% | 49,185 |
| Riverview | 48.83% | 34.81% | 1,864,748 | 7.39% | 5.27% | 278,834 |
| Rothesay | 37.27% | 26.57% | 170,355 | 10.59% | 7.55% | 48,419 |
| Sackville | 37.65% | 26.84% | 744,755 | 14.06% | 10.02% | 278,108 |
| Shediac | 46.25% | 32.97% | 627,143 | 11.69% | 8.33% | 158,498 |
| Shippagan | 41.63% | 29.68% | 432,715 | 7.94% | 5.66% | 82,475 |
| St Andrews | 33.39% | 23.80% | 208,284 | 14.00% | 9.98% | 87,351 |
| St Basile | 45.18% | 32.21% | 340,050 | 11.13% | 7.93% | 83,749 |
| St George | 38.63% | 27.54% | 147,796 | 16.55% | 11.80% | 63,316 |
| St Stephen | 47.41% | 33.80% | 769,388 | 9.66% | 6.89% | 156,792 |
| Sussex | 41.20% | 29.37% | 540,519 | 8.79% | 6.27% | 115,376 |
| Tracadie | 42.17% | 30.06% | 324,201 | 10.08% | 7.18% | 77,460 |
| Woodstock | 42.49% | 30.28% | 518,207 | 8.77% | 6.25% | 106,963 |
| "AVERAGE" | 44.44% | 31.68% | | 11.11% | 7.92% | |

| UNADJUSTED % OF GRANT SUPPORT TAX EFFORT ADJUSTMENT | ADJUSTED % OF GRANT SUPPORT TAX EFFORT ADJUSTMENT | TAX EFFORT ADJUSTMENT CONTRIBUTION | TOTAL UNADJUSTED % OF GRANT SUPPORT | TOTAL ADJUSTED % OF GRANT SUPPORT | TOTAL UNCONDITIONAL GRANT |
|---|---|---|---|---|---|
| 3.29% | 1.34% | (18,717) | 41.22% | 39.72% | 274,804 |
| 1.68% | 1.16% | 12,766 | 67.65% | 48.23% | 528,746 |
| -5.48% | -3.90% | (27,471 | 57.70% | 41.17% | 347,715 |
| 1.11% | 0.77% | 14,097 | 58.67% | 41.80% | 742,577 |
| -12.75% | -9.80% | (67,918) | 46.55% | 33.18% | 340,995 |
| -7.92% | -5.64% | (36,908) | 50.85% | 36.25% | 237,109 |
| -2.36% | -1.68% | (14,173) | 58.55% | 41.74% | 351,438 |
| -0.81% | -0.57% | (12,926) | 55.73% | 39.77% | 893,401 |
| -7.67% | -5.47% | (40,567) | 54.71% | 36.71% | 287,201 |
| -0.31% | -0.22% | (1,338) | 54.59% | 38.91% | 231,823 |
| 3.23% | 2.31% | 17,156 | 51.42% | 36.65% | 272,761 |
| -5.46% | 3.89% | (66,671) | 51.85% | 36.98% | 632,756 |
| 1.86% | 1.32% | 7,846 | 64.40% | 45.9 % | 264,866 |
| 1.75% | 1.25% | 66,921 | 57.89% | 41.27% | 2,210,5 3 |
| -4.75% | 3.39% | (21,764) | 43.11% | 30.73% | 197,01 |
| 1.64% | 1.17% | 12,457 | 53.26% | 38 .4% | 1,055,7 0 |
| 6.36% | 4.53% | 86,206 | 64.29% | 45.8 % | 871,847 |
| 6.21% | 4.43% | 64,526 | 55.78% | 39.76% | 579,716 |
| -2.65% | 1.89% | (16,511 | 44.74% | 31.89% | 279,134 |
| -2.30% | -1.64% | (17,345) | 54.01% | 38.50% | 406,45 |
| 2.01% | 1.44% | 7,704 | 57.19% | 40.17% | 219,3 6 |
| 4.13% | 2.94% | 67,022 | 61.20% | 43.63% | 993,201 |
| 2.39% | 1.63% | 30,030 | 52.28% | 37.27% | 685,9 5 |
| 2.55% | 1.81% | 19,671 | 54.80% | 39.06% | 421,292 |
| -1.92% | -1.37% | (23,399) | 49.33% | 35.17% | 601,771 |
| 0.00% | | | 55.56% | 39.60% | 17,686,55 |

Classification

The creation of classes of municipalities, by itself, redistributes some $28,000 of funding in Class C. In most cases this does not produce a significant change in individual grant funding except in the case of Riverview and Sackville. Imputing classes in the current formula increases funding to Riverview by $10,500 and reduces Sackville's funding by about $9,600.

**Components of Proposed Formula**

Examination of the percentage of grant support from the components of the formula as compared to the average and in comparison to other municipalities, again, is a useful tool in judging the mechanics of the proposed formula. This analysis for Class C is shown in Table 8.

Nackawic's 36% of grant support from the assessment allocation as compared to the "average" 44.4% is as apparent and justifiable as is Richibucto's 50%.

The contribution of the tax effort adjustment is equally as predictable and reasonable. Some municipalities have high tax effort relating to the provision of a high degree of service, others for lack of strong resources to provide an adequate level of services. Still others exhibit above average tax effort to accommodate rapid growth. On the other hand, municipalities evidence equally apparent reasons for their lower tax effort relating to stability, strong fiscal resources, and moderate levels of services.

**Class D**

Class D is by far the largest in number comprising 78 municipalities. Although their range of comparison is the narrowest in absolute terms, there are very significant differences amongst these municipalities. For this reason the class exhibits the greatest variations in impact of the proposed formula as a whole and through its various elements. In this class, $541,000 of Unconditional Grant is redistributed. This amounts to 5% of the total pool. Although seemingly insignificant, it will be remembered that Class C's redistribution amounted to only about 3%.

The proposed formula creates some very significant changes in the grant funding of certain municipalities. It increases funding to Rogersville by over 20% while decreasing Belledune's grant by over 80%. Despite these rather drastic changes, many of the 78 municipalities receive funding within 10% of their current funding level. The proposed formula does not promote a destabilizing effect but rather, these changes are a reflection of the requirement to adjust to address fiscal need.

Assessment Base

The change in assessment base to Tax Rate Denominator displaces almost $100,000 of funding. The reason is apparent when one examines the amount of non-residential assessment in the tax base of Belledune as compared to the base of Renforth or St. Joseph. The following table shows some Class D municipalities whose grant funding would be most significantly reduced by the

move to the Tax Rate Denominator, the assessment base which exactly identifies the revenue-raising capabilities of municipalities:

| MUNICIPALITY | AMOUNT OF REDUCTION $ | REDUCTION % |
|---|---|---|
| Belledune | 13,000 | 14.5 |
| Black's Harbour | 15,000 | 5.3 |
| Dorchester | 8,800 | 6.0 |
| Douglastown | 10,000 | 5.1 |
| Florenceville | 6,400 | 6.8 |
| Hartland | 4,700 | 2.5 |
| Nelson Miramichi | 8,300 | 3.9 |
| St. Hilaire | 3,400 | 13.4 |

In each of these cases a very significant non-residential component can be identified in their tax base, which, with the rate of taxation on these properties at one and a half times the residential rate, produces an inordiate amount of revenue raising assessment.

Similarly, municipalities can be identified which, due to the content of their assessment bases, have very little advantage of the extra revenue-raising capabilities of non-residential properties. Examples of these municipalities and the impact of the change in base on their grant are shown in the following table:

| MUNICIPALITY | AMOUNT OF INCREASE $ | INCREASE % |
|---|---|---|
| East Riverside | 3,900 | 3.4 |
| Eel River Crossing | 2,500 | 1.2 |
| Norton | 2,600 | 1.5 |
| Perth Andover | 2,100 | 1.0 |
| Petitcodiac | 2,300 | .9 |
| Renforth | 5,700 | 3.6 |
| St. Joseph | 4,500 | 2.9 |
| St. Louis | 3,500 | 1.8 |
| Westfield | 2,000 | 2.7 |

Examination of the fiscal circumstances of these municipalities is ample evidence of the need for the change in assessment base as proposed in the new formula.

Density Measure

Although of little impact on most municipalities, the change in the density measure to total kilometerage does have a considerable impact on some municipalities. These are, typically, municipalities with a relatively high proportion of Provincial Kilometerage. Examples of municipalities which benefit in additonal grant funding from this revision are Alma, Baker Brook, Blackville, Meductic, St. Andre and Verret.

Expenditure Base

The change in the expenditure base in the formula produces some fairly significant shifts in grant funding in Class D. An examination of the current base as compared to the proposed base yields revealing results with implications for unrecognized fiscal need.

While, on one hand, there are a substantial number of municipalities in Class D whose approved Shareable Expenditures approximate and, in fact, equate actual net budget, there are other examples where the current expenditure base falls far short of a municipality's actual expenditure. The most graphic illustration of this latter occurence is in St. Hilaire where actual net budget is $115,485 while approved shareable expenditures in 1986 amounted to $69,190. It is evident that in this and similar situations, fiscal need is not recognized. In total, the change in the expenditure base redistributes $380,000 in a direction consistent with demonstrated fiscal need.

Tax Effort

As there are considerable variations in other factors among Class D municipalities, so too, does tax effort vary significantly. This is not surprising since it reflects, in part, the inadequacies of the current formula. The range in tax effort in Class D is from a low of 48% in Cambridge Narrows to 161% in St. Joseph. This clearly demonstrates the variation in fiscal need amongst these municipalities.

The following table shows selected municipalities with above average tax efforts and municipalities with below average tax effort and the effect on grant apportionment.

EFFECTS OF TAX EFFORT
SELECTED MUNICIPALITIES

| Municipality | Tax Effort % | Effect on Grant $ |
|---|---|---|
| Bas-Caraquet | 150 | +35,000 |
| Douglastown | 123 | +18,000 |
| Hartland | 142 | +31,000 |
| Port Elgin | 143 | +16,000 |
| Rogersville | 138 | +17,000 |
| Bath | 62 | -17,000 |
| Florenceville | 72 | -17,000 |
| Perth Andover | 84 | -22,000 |
| Salisbury | 68 | -27,000 |
| St. Quentin | 86 | -25,000 |

In total, some $500,000 is redistributed through tax effort in Class D in a manner consistent with demonstrated fiscal need.

Graded Population Adjustment

As there are no municipalities in Class D with populations greater than 5,000, the elimination of this factor has no effect on any municipality in the class. In fact, on the contrary to the rationale for the graded population adjustment that presumes higher per capita expenditures in larger muncipalities, there may be certain "diseconomies of scale" associated with the provision of service in very small municipalities. Both of these issues, however, can adequately be addressed within the context of tax effort rather than a specific adjustment.

Minimum Tax Rate

The proposed formula contains a provision that allows grant funding to a municipality only on the portion of its expenditures that remain after local warrant financing at the rate of $0.65 per $100 of assessment. This minimum tax rate is consistent with the effective provincial property tax rate levied by the Province to partially offset the cost of providing "basic" services in LSDs.

In total, six Class D municipalities are affected by this feature. They are: Belledune, Bristol, Cambridge Narrows, Millville, Stanley and Sussex Corner. The amount of funding "withdrawn" from these municipalities to achieve this minimum rate is shown in the following table:

| MUNICIPALITY | REDUCTION IN GRANT |
|---|---|
| Belledune | $27,056 |
| Bristol | 28,339 |
| Cambridge Narrows | 25,719 |
| Millville | 3,356 |
| Stanley | 5,034 |
| Sussex Corner | 9,574 |
| TOTAL | $99,078 |

Classification

In Class D, the classification of municipalities redistributes approximately $150,000 of funding. Typically this funding is diverted to municipalities with low fiscal capacity from those with relatively high fiscal capacities. This is

evident where classification reduces Belledune's grant by $12,000 and Florenceville by $10,000 and increases that of Eel River Crossing and Pointe Verte by $11,000 each.

**Components of Proposed Formula**

Reviewing the contribution of each component of the proposed formula in relation to the average allows for an assessment of the impact of the various components on the grant funding of an individual municipality. It also reveals how grant support from a component reflects the fiscal circumstance of one municipality in comparison to other similar municipalities. This analyses is presented in Table 9. Saint Martins' overall percentage of grant support of 5%, when broken down reveals, for example, that the considerably above-average assessment allocation percentage of 57% is partially offset by a 6% reduction by virtue of the tax effort adjustment. This can be translated into an interpretation that although Saint Martins assessment per capita (or its potential to raise tax revenue from its base) is considerably less than average, its fiscal need, as dictated by tax effort, is below-average such that an "average" percent of funding is required in the final analysis.

It can be seen that Belledune's 19% grant support from the assessment allocation as compared to Pointe Verte's 62% is the relative functioning of the formula in recognizing the vast differential in revenue-raising capabilities of these neighbouring municipalities.

**TABLE 9**
**Component Contribution of Unconditional Grant Support**
**Class D**

| MUNICIPALITY | UNADJUSTED % OF GRANT SUPPORT ASSESSMENT ALLOCATION | ADJUSTED % OF GRANT SUPPORT ASSESSMENT ALLOCATION | ASSESSMENT ALLOCATION CONTRIBUTION | UNADJUSTED % OF GRANT SUPPORT DENSITY ALLOCATION | ADJUSTED % OF GRANT SUPPORT DENSITY ALLOCATION | DENSITY ALLOCATION CONTRIBUTION |
|---|---|---|---|---|---|---|
| Alma | 33.99% | 29.08% | 18,410 | 34.22% | 29.27% | 18,532 |
| Aroostook | 52.56% | 44.96% | 45,463 | 9.48% | 8.11% | 8,196 |
| Baker Brook | 50.57% | 43.26% | 66,191 | 10.82% | 9.25% | 14,160 |
| Balmoral | 49.96% | 42.74% | 211,958 | 10.71% | 9.16% | 45,435 |
| Bas-Caraquet | 54.47% | 46.59% | 262,454 | 11.22% | 9.60% | 54,080 |
| Bath | 48.14% | 41.18% | 58,061 | 7.94% | 6.79% | 9,575 |
| Belledune | 19.16% | 16.39% | 48,516 | 8.08% | 6.91% | 20,452 |
| Bertrand | 49.25% | 42.13% | 130,505 | 17.19% | 14.70% | 45,556 |
| Blacks Harbour | 47.33% | 40.48% | 214,970 | 7.99% | 6.83% | 36,294 |
| Blackville | 41.18% | 35.23% | 90,136 | 18.65% | 15.95% | 40,809 |
| Bristol | 35.82% | 30.64% | 43,866 | 8.86% | 7.58% | 10,847 |
| Cambridge-Narrows | 20.36% | 17.42% | 15,953 | 44.32% | 37.91% | 34,723 |
| Canterbury | 52.89% | 45.24% | 33,625 | 13.55% | 11.59% | 8,613 |
| Cap-Pele | 47.46% | 40.59% | 216,219 | 10.26% | 8.77% | 46,748 |
| Centreville | 41.16% | 35.21% | 47,888 | 10.75% | 9.19% | 12,500 |
| Charlo | 42.79% | 36.60% | 184,316 | 17.69% | 15.13% | 76,197 |
| Chipman | 50.64% | 43.47% | 188,452 | 9.80% | 8.38% | 36,351 |
| Clair | 44.32% | 37.91% | 102,352 | 7.66% | 6.55% | 17,686 |
| Doaktown | 43.73% | 37.40% | 92,588 | 17.12% | 14.64% | 36,240 |
| Dorchester | 53.06% | 45.38% | 120,013 | 7.42% | 6.36% | 16,806 |
| Douglastown | 36.08% | 30.86% | 154,757 | 7.59% | 6.49% | 32,536 |
| Drummond | 42.80% | 36.61% | 71,800 | 6.85% | 5.86% | 11,496 |
| East Riverside | 35.24% | 30.15% | 96,755 | 4.64% | 3.97% | 12,752 |
| Eel River Crossing | 58.04% | 49.65% | 170,500 | 9.81% | 8.39% | 38,820 |
| Florenceville | 24.62% | 21.06% | 61,685 | 8.59% | 7.35% | 21,521 |
| Fredericton Junction | 41.59% | 35.57% | 85,643 | 18.14% | 15.52% | 37,357 |
| Gagetown | 36.14% | 30.92% | 48,088 | 31.52% | 26.96% | 41,941 |
| Grand Harbour | 38.30% | 32.76% | 41,308 | 17.86% | 15.28% | 19,266 |
| Grande Anse | 44.29% | 37.88% | 100,596 | 15.60% | 13.34% | 35,434 |
| Hartland | 34.93% | 29.87% | 139,048 | 8.36% | 7.15% | 33,277 |
| Harvey | 40.85% | 34.94% | 28,212 | 8.64% | 7.39% | 5,966 |
| Hillsborough | 46.76% | 40.00% | 135,785 | 12.30% | 10.52% | 35,719 |
| Jacquet River | 48.53% | 41.51% | 79,307 | 12.72% | 10.88% | 20,783 |
| Kedgwick | 50.50% | 43.20% | 157,764 | 6.48% | 5.55% | 20,257 |
| Lac Baker | 53.52% | 45.78% | 31,419 | 20.49% | 17.52% | 12,026 |
| Loggieville | 50.94% | 43.57% | 92,696 | 16.49% | 14.10% | 30,002 |
| McAdam | 52.95% | 45.29% | 236,198 | 8.93% | 7.64% | 39,834 |
| Meductic | 47.17% | 40.35% | 14,701 | 12.79% | 10.94% | 3,986 |
| Millville | 49.22% | 42.10% | 16,727 | 17.30% | 14.79% | 5,878 |
| Minto | 49.97% | 42.65% | 342,464 | 9.76% | 8.35% | 67,023 |
| Nequac | 45.64% | 39.04% | 151,657 | 18.18% | 15.55% | 60,421 |
| Nelson Miramichi | 46.01% | 39.35% | 149,708 | 11.35% | 9.71% | 36,927 |
| Nigadoo | 57.19% | 48.92% | 125,014 | 10.26% | 9.80% | 22,476 |
| North Head | 42.12% | 36.02% | 46,038 | 11.46% | 9.80% | 12,527 |
| Norton | 40.83% | 34.92% | 103,369 | 31.10% | 26.60% | 78,740 |
| Paquetville | 37.59% | 32.15% | 67,242 | 9.37% | 8.01% | 16,755 |
| Perth-Andover | 39.22% | 33.55% | 179,522 | 7.47% | 6.39% | 34,195 |

| UNADJUSTED % OF GRANT SUPPORT TAX EFFORT ADJUSTMENT | ADJUSTED % OF GRANT SUPPORT TAX EFFORT ADJUSTMENT | TAX EFFORT ADJUSTMENT CONTRIBUTION | TOTAL UNADJUSTED % OF GRANT SUPPORT | TOTAL ADJUSTED % OF GRANT SUPPORT | TOTAL UNCONDITIONAL GRANT |
|---|---|---|---|---|---|
| -14.28% | -12.22% | (7,776) | 53.93% | 49.13% | 29,2[illegible] |
| 3.93% | 3.36% | 3,398 | 65.97% | 56.43% | 97,057 |
| 6.52% | 5.58% | 8,540 | 67.92% | 58.69% | 88,891 |
| 4.15% | 3.55% | 17,612 | 64.83% | 55.46% | 275,005 |
| 8.46% | 7.24% | 40,756 | 74.15% | 63.43% | 357,29[illegible] |
| -11.80% | -10.09% | (4,230) | 44.28% | 37.88% | 53,406 |
| -10.85% | -9.28% | (21,483) | 16.28% | 14.01% | 41,486 |
| 2.75% | 2.35% | 7,295 | 69.19% | 59.18% | 183,345 |
| 7.27% | 6.22% | 32,035 | 62.59% | 53.54% | 284,799 |
| 2.69% | 2.30% | 5,885 | 62.52% | 53.48% | 136,831 |
| -16.29% | -13.93% | (19,949) | 28.38% | 24.28% | 34,764 |
| -17.88% | -15.29% | (14,007) | 46.81% | 40.04% | 36,669 |
| -6.17% | -5.28% | (7,925) | 60.26% | 51.54% | 38,713 |
| -0.46% | -0.39% | (2,080) | 57.26% | 48.98% | 260,999 |
| -6.19% | -5.30% | (7,203) | 45.72% | 39.11% | 53,186 |
| 4.22% | 3.61% | 18,172 | 64.70% | 55.34% | 278,681 |
| 1.54% | 1.32% | 5,711 | 62.16% | 53.17% | 230,514 |
| 1.61% | 1.37% | 3,711 | 53.58% | 45.83% | 122,749 |
| -0.37% | -0.31% | (775) | 60.48% | 51.73% | 128,053 |
| 0.61% | 0.52% | 1,381 | 61.10% | 52.26% | 138,201 |
| 5.11% | 4.37% | 21,902 | 48.78% | 41.72% | 209,195 |
| -3.78% | -3.23% | (6,335) | 45.87% | 39.24% | 76,961 |
| -1.46% | -1.25% | (4,012) | 38.42% | 32.87% | 105,495 |
| 5.38% | 4.60% | 15,813 | 73.24% | 62.64% | 215,133 |
| -6.79% | -5.81% | (17,023) | 26.41% | 22.59% | 66,183 |
| 2.18% | 1.86% | 4,480 | 61.90% | 52.95% | 127,480 |
| -5.01% | -4.29% | (6,672) | 62.65% | 53.59% | 83,357 |
| -16.03% | -13.71% | (17,288) | 40.13% | 34.33% | 43,[illegible]66 |
| 3.94% | 3.37% | 8,942 | 63.83% | 54.59% | 144,972 |
| 8.80% | 7.52% | 35,021 | 52.08% | 44.55% | 207,346 |
| -4.51% | -3.86% | (3,117) | 44.97% | 38.47% | 31,061 |
| 2.79% | 2.38% | 8,095 | 61.85% | 52.90% | 179,598 |
| 0.96% | 0.82% | 1,564 | 62.20% | 53.21% | 101,850 |
| 7.05% | 6.03% | 22,013 | 64.04% | 54.77% | 200,034 |
| 4.63% | 3.96% | 2,721 | 78.64% | 67.26% | 46,166 |
| 5.17% | 4.42% | 9,409 | 72.60% | 62.10% | 132,098 |
| 5.70% | 4.87% | 25,421 | 67.58% | 57.81% | 301,457 |
| -14.83% | -12.68% | (4,621) | 45.14% | 38.61% | 14,065 |
| -6.07% | -5.19% | (2,064) | 60.45% | 51.70% | 20,541 |
| 1.88% | 1.60% | 12,880 | 61.50% | 52.60% | 422,767 |
| -2.87% | -2.45% | (9,530) | 60.96% | 52.14% | 202,548 |
| -2.28% | -1.95% | (7,424) | 55.08% | 47.11% | 179,212 |
| 5.52% | 4.73% | 12,075 | 73.00% | 62.44% | 159,565 |
| -13.28% | -11.36% | (14,519) | 40.29% | 34.47% | 44,046 |
| -2.20% | -1.88% | (5,578) | 69.73% | 59.64% | 176,531 |
| 0.16% | 0.14% | 288 | 47.12% | 40.30% | 84,285 |
| -4.23% | -3.62% | (19,374) | 42.46% | 36.32% | 194,342 |

## Table 9 - continued

| MUNICIPALITY | UNADJUSTED % OF GRANT SUPPORT ASSESSMENT ALLOCATION | ADJUSTED % OF GRANT SUPPORT ASSESSMENT ALLOCATION | ASSESSMENT ALLOCATION CONTRIBUTION | UNADJUSTED % OF GRANT SUPPORT DENSITY ALLOCATION | ADJUSTED % OF GRANT SUPPORT DENSITY ALLOCATION | DENSITY ALLOCATION CONTRIBUTION |
|---|---|---|---|---|---|---|
| Petit-Rocher | 44.93% | 38.43% | 246,200 | 6.57% | 5.62% | 36,024 |
| Petitcodiac | 40.67% | 34.79% | 182,206 | 10.19% | 8.71% | 45,627 |
| Plaster Rock | 41.16% | 35.20% | 144,070 | 6.94% | 5.93% | 24,285 |
| Pointe-Verte | 61.76% | 52.83% | 150,093 | 10.74% | 9.18% | 26,094 |
| Port Elgin | 40.52% | 34.66% | 80,519 | 9.01% | 7.70% | 17,898 |
| Renforth | 39.21% | 33.54% | 142,134 | 5.45% | 4.66% | 19,741 |
| Rexton | 42.90% | 36.70% | 94,145 | 10.30% | 8.81% | 22,603 |
| Riverside-Albert | 51.28% | 43.86% | 46,092 | 14.16% | 12.11% | 12,726 |
| Riviere-Verte | 52.81% | 45.17% | 95,283 | 6.03% | 5.15% | 10,874 |
| Rogersville | 51.34% | 43.91% | 156,239 | 9.88% | 7.59% | 27,014 |
| Salisbury | 41.42% | 35.43% | 127,788 | 7.44% | 6.36% | 22,941 |
| Seal Cove | 44.64% | 38.19% | 39,407 | 19.58% | 16.75% | 17,282 |
| Sheila | 47.10% | 40.29% | 141,957 | 9.44% | 8.08% | 28,460 |
| St Andre | 44.03% | 37.66% | 43,632 | 7.93% | 6.78% | 7,856 |
| St Antoine | 50.31% | 43.04% | 125,949 | 9.16% | 7.84% | 22,932 |
| St Francois | 47.68% | 40.79% | 92,356 | 7.55% | 6.46% | 14,632 |
| St Hilaire | 21.32% | 18.23% | 21,058 | 8.03% | 6.87% | 7,936 |
| St Jacques | 47.00% | 40.20% | 179,993 | 5.58% | 4.77% | 21,357 |
| St Joseph | 36.75% | 31.43% | 111,225 | 9.45% | 8.08% | 28,595 |
| St Leolin | 59.31% | 50.73% | 82,271 | 13.71% | 11.73% | 19,021 |
| St Leonard | 53.41% | 45.69% | 219,247 | 5.17% | 4.42% | 21,202 |
| St Louis | 45.35% | 38.79% | 170,574 | 4.33% | 3.70% | 16,268 |
| St Martins | 54.65% | 46.75% | 41,716 | 8.15% | 6.97% | 6,221 |
| St Quentin | 46.36% | 39.65% | 225,616 | 4.71% | 4.03% | 22,946 |
| Stanley | 34.71% | 29.69% | 25,251 | 19.52% | 16.70% | 14,201 |
| Ste Anne | 50.93% | 43.56% | 138,041 | 7.96% | 6.81% | 21,588 |
| Sussex Corner | 41.28% | 35.31% | 67,769 | 7.27% | 6.22% | 11,937 |
| Tide Head | 43.18% | 36.94% | 99,602 | 9.57% | 8.19% | 22,075 |
| Tracy | 50.96% | 43.62% | 43,585 | 22.08% | 18.89% | 18,227 |
| Verret | 51.86% | 44.36% | 48,377 | 15.18% | 12.98% | 14,161 |
| Westfield | 37.82% | 32.18% | 39,727 | 10.73% | 9.17% | 22,729 |
| "AVERAGE" | 44.44% | 38.02% | | 11.11% | 9.50% | |

| UNADJUSTED % OF GRANT SUPPORT TAX EFFORT ADJUSTMENT | ADJUSTED % OF GRANT SUPPORT TAX EFFORT ADJUSTMENT | TAX EFFORT ADJUSTMENT CONTRIBUTION | TOTAL UNADJUSTED % OF GRANT SUPPORT | TOTAL ADJUSTED % OF GRANT SUPPORT | TOTAL UNCONDITIONAL GRANT |
|---|---|---|---|---|---|
| 5.88% | 5.03% | 33,226 | 57.38% | 49.08% | 214,451 |
| 4.30% | 3.68% | 19,255 | 55.16% | 47.18% | 247,087 |
| 1.18% | 1.01% | 4,138 | 49.28% | 42.15% | 172,493 |
| 6.78% | 5.80% | 16,478 | 79.28% | 67.81% | 192,665 |
| 8.84% | 7.56% | 17,562 | 58.37% | 49.92% | 115,980 |
| -1.91% | -1.63% | (6,929) | 42.74% | 36.56% | 154,946 |
| -0.27% | -0.24% | (603) | 52.93% | 45.27% | 116,145 |
| -0.15% | -0.13% | (174) | 65.29% | 55.85% | 58,684 |
| 0.43% | 0.37% | 779 | 59.26% | 50.69% | 106,935 |
| 7.47% | 6.39% | 22,721 | 67.68% | 57.89% | 205,974 |
| -9.46% | -8.09% | (29,172) | 39.41% | 33.71% | 121,558 |
| -8.61% | -7.37% | (7,601) | 55.61% | 47.57% | 49,088 |
| 3.50% | 3.00% | 10,554 | 60.04% | 51.36% | 180,971 |
| 3.63% | 3.11% | 3,600 | 55.59% | 47.55% | 55,089 |
| 1.65% | 1.41% | 4,136 | 61.13% | 52.28% | 153,017 |
| 4.32% | 3.69% | 8,364 | 59.55% | 50.54% | 115,352 |
| -5.59% | -4.78% | (5,517) | 23.77% | 20.33% | 23,477 |
| -6.54% | -5.59% | (25,032) | 46.04% | 39.38% | 176,217 |
| 11.91% | 10.18% | 36,039 | 58.10% | 49.79% | 175,858 |
| 4.97% | 4.25% | 6,896 | 77.99% | 66.71% | 108,188 |
| 7.55% | 6.46% | 31,020 | 66.13% | 56.57% | 271,444 |
| 7.52% | 6.43% | 28,286 | 57.20% | 48.93% | 215,128 |
| -5.69% | -4.86% | (4,341) | 57.12% | 48.85% | 43,596 |
| -3.67% | -3.14% | (17,859) | 47.40% | 40.54% | 230,703 |
| -14.48% | -12.39% | (10,537) | 39.75% | 34.00% | 28,915 |
| 2.40% | 2.05% | 6,501 | 61.29% | 52.42% | 166,130 |
| -9.20% | -7.87% | (15,108) | 39.35% | 33.66% | 64,597 |
| -0.74% | -0.63% | (1,711) | 52.01% | 44.49% | 119,967 |
| -4.10% | -3.51% | (3,572) | 68.04% | 58.20% | 59,241 |
| -4.95% | -4.23% | (4,619) | 62.09% | 53.11% | 57,919 |
| -8.75% | -7.48% | (18,538) | 39.60% | 33.87% | 83,918 |
| 0.00% | 0.00% | | 55.56% | 47.52% | 10,784,736 |

**CONCLUSIONS**

If the impact of the proposed formula were to be judged on the total amount of funding that it redistributes, it would seem, indeed, that very little has been accomplished. In fact, just over $1.5 million of the total $90 million changes hands. This represents less than 2% of the total grant fund. This reflects in large part the very significant amount of funds transferred to municipalities and the fact that the dominant role of the Unconditional Grant is to augment the finances of New Brunswick municipalities.

The preceding analysis has attempted to demonstrate that despite this fairly insignificant net change in funding, very fundamental changes were performed which, in combination, contribute to a grant formula much more capable of handling the needs of municipalities in the future in a more meaningful and equitable way. Needs are addressed where needs are identified. Comparisons are made in realistic bases. Realistic measures are used and most importantly, changing circumstances are accommodated.

Finally, and most significantly, it is imperative that one recognize that while the analysis presented in the chapter is a static analysis which simulates the impact of the proposed grant formula at a particular point in time, the formula is, in fact, responsive dynamically. It provides a clear conceptual framework for factoring fiscal need into the formula. As the

revenue-raising capacity and expenditure needs of a municipality changes, this will be recognized and accommodated in the Unconditional Grant provided.

# NOTES

# CHAPTER EIGHT

# IMPLEMENTATION ISSUES

References have been made in the preceding chapters to certain features of the proposed formula. In many cases there are issues involved which are outside of the actual allocation formula. In many cases they are implementation issues.

## Transition Payment

It is obvious that a change in an allocation formula, particularly where there is no net increase in overall funding, will mean that some municipalities will receive more Unconditional Grant funding than under the old formula while others will receive less. For this reason some mechanism to allow a smooth transition period is desirable. This could be accomplished through the establishment of a transition payment, a form of revenue guarantee, for municipalities which would receive less Unconditional Grant funding under the new formula than the old. Alternatively other precedures might be followed such as using a phase-in period whereby the Unconditional Grant in the first year of the new program could be an average of what municipalities might have received under the old system and what they would receive under the new system.

As noted in Chapter Seven, the magnitude of the overall variation in Unconditional Grant funding is not great. This suggests that a general policy regarding the implementation of the

new Grant formula need not require more than one year. Since certain municipalities are affected to a significant degree, special consideration might be accorded these municipalities for a longer period.

**Grant Pools**

In the consideration of the Unconditional Grant a primary consideration was that similar municipalities be treated in a similar way. This is the basis for the establishment of classes of municipalities. It is also the reason why separate grant pools for each class are proposed.

Based on the proposal, Cabinet would make a decision each year on the total amount of Unconditional Grant funding to be provided to municipalities and on the amount of Unconditional Grant funding to be provided to each of the four classes. The initial allocation of grant funding is based on the total of the individual Unconditional Grants currently provided to the municipalities in each class. As a general policy, it is intended that the same growth factor be applied to the grant pool for each class each year.

The current 1986 allocation of grant funding by class is proposed as the initial allocation because it represents a balance in fiscal need among the classes of municipalities. Several means of assigning the grant pools by formula were considered and rejected . The allocation of total grant funding based on the shares of net budget was rejected because it was reflecting only one factor - expenditure need. It was rejected also because of

the very significant impact that its application would have on small municipalities. The allocation of grant funding based on shares of net budget would augment Unconditional Grant funding for Classes A, B, and C, with all of the reallocated funds coming from Class D. The result would be a minor positive impact on Unconditional Grant funding to municipalities in Classes A, B and C and a dramatic negative impact on those in Class D. A consequence would be a very significant increase in tax rates in Class D municipalities simply because of the formula to allocate total Unconditional Grant funding **to the grant pools.** In fact, the impact on tax rates due only to the use of a formula to establish the grant pools would be **to reduce tax rates** by 0.5 cents in Class A, 3.5 cents in Class B, 2.7 cents in Class C and **to increase rates in Class D** by 11.4 cents.

The use of a formula to allocate funding to grant pools was rejected also because this is an inappropriate use of a formula. One of the intentions of the proposed Unconditional Grant is to allow Government to be more responsive to changes in the fiscal circumstances or responsibilities of municipalities. Use of a formula to establish grant pools, particularly if it were established by legislation, would remove an important part of the flexibility and responsiveness intended.

The use of a formula to allocate grant pools was rejected because this, in fact, could allow municipalities in a class to influence the size of the pool. For instance, if the formula were based on the distribution of net budgets by class,

the three municipalities in Class A, by increasing their budgets more than other municipalities, could **automatically** increase the size of their pool (at the expense of the other classes).

It is not intended that the initial allocation of grant funding to the pools should remain in perpetuity. Changes in the relative fiscal circumstances and expenditure needs of each class over a period of time should be monitored.

There are two important exceptions to the general rule that the same growth factor should apply to each grant pool: new incorporations, annexations and amalgamations and "transfer of responsibility." Both are covered in existing legislation. Both would represent continuation of current policy.

New Incorporations, Annexations or Amalgamations

Section 3(4) of the Municipal Assistance Act gives the Minister of Municipal Affairs the authority to provide Unconditional Grant funding for a new incorporation, and amalgamation or an annexation. It also gives him the authority to consider this grant support to be in addition to the Unconditional Grant funding provided to existing municipalities. It is intended that this provision remain in force. The only difference is that the increase would be added to the grant pool for the class in which the municipality is placed. The additional funding required for the municipality in question would not adversely affect other municipalities.

Transfer of Responsibility

Similarly, Section 4(2) of the Act gives the authority to provide increased Unconditional Grant support to municipalities where there is a "transfer of responsibility" from the Province to municipalities. As is the case with changes in municipal status noted above, while the authority granted to the Minister is an enabling authority, the policy and practice of the Department has been for the Minister to exercise his full authority subject to appropriation of funding. Again, the only change that would occur with the proposed system is that the additional funding would be provided to an assigned grant pool rather than simply to the total amount available.

**Reference Levels for Unconditional Grant Funding**

One of the fundamental problems raised by municipalities during the Review of the Unconditional Grant relates to the total amount of grant funding available rather than the manner in which the Unconditional Grant is determined for individual municipalities. More specifically, municipalities feel that in order to properly plan for the future and establish long range goals and policy, they must be able to predict, for a reasonable term, the amount of unconditional grant funding available. This has a parallel on the provincial side. It would be desirable also for the province to be able to establish a medium term, say three year, planning horizon for either the Unconditional Grant or for provincial-municipal fiscal transfers, generally, or for both.

While it is easy to establish agreement on the principle involved, putting it into practice is something quite different. It is obvious that the reference level for Unconditional Grant funding must represent a reasonable balance between municipal desires and needs, on the one hand, and provincial fiscal constraints, on the other.

It is unreasonable to expect, given the Province's fiscal situation and in times of restraint, growth of the magnitudes that occurred under the "old" revenue-sharing system. Rather, it would be more appropriate to establish a reasonable reference level for growth in Unconditional Grant funding based on several considerations including the fiscal position of the province, the fiscal position of municipalities, guidelines being used by the Province in formulating budgets for departments and agencies, the rate of inflation, and factors which will affect provincial and municipal taxation.

**Minimum Tax Rate**

One of the features of the proposed Unconditional Grant formula is the establishment of a minimum tax rate to be used in the determination of Unconditional Grant funding. It is based on the concept that Unconditional Grant support provided to a municipality should be limited to the support that would be required if the tax rate were comparable to the minimum provincial residential property tax rate in unincorporated areas.

The minimum rate proposed is the effective provincial tax rate of $0.65/$100 of assessment levied on owner-occupied residences in Local Service Districts (L.S.D.s). This rate is imposed to partially compensate the Province for the local services provided to L.S.D.s.

This measure is intended to serve an equity purpose. This minimum rate would also tend to discourage L.S.D.s from requesting incorporation in order to achieve a lower tax rate. It is recognized, however, that the concept of a minimum tax rate is, in essence, a tax policy issue which must be considered in this perspective also.

**Conditional Grants**

The current Unconditional Grant formula serves a number of purposes. It does, with one grant, what other provinces do with: tax room, tax sharing, foundation grants, equalization grants, conditional grants. One consequence of this is it limits funds that could be provided to municipalities to achieve specific purposes. The need to upgrade municipal infrastructure is a major concern of municipalities currently, particularly in light of the absence of federal funding for such purposes in recent years. Consideration might be given to reallocating some funds currently used for the Unconditional Grant for specific types of conditional grant programs. Particular attention might be given to increasing the amount of Stimulation Grant funding to allow the program to address the specific objectives for which it was originally established. This would mean assigning high priority to projects

for newly amalgamated or annexed areas to assist in developing or improving services in this area. It could also allow the Stimulation Grant to be used as a source of funding for types of projects that have in the past been funded under the "first time and unusual expenditures" provision of the Unconditional Grant. A current example is the funding provided for upgrading computer hardware and software in towns and villages.

# CHAPTER NINE

## LOCAL FISCAL AUTONOMY IN NEW BRUNSWICK

There are two fundamental issues which any assessment of Unconditional Grants should address. The first is the role that the grant should play in the overall fiscal transfer system. The second is the design of the grant, basically the allocation mechanism. The primary consideration in the Review of the Unconditional Grant has been the formula used to allocate Unconditional Grant funds. For the most part, then, the conclusions and recommendations of the review deal with this issue. The question of the role of the grant, is as much, if not more, a tax policy matter, as a fiscal transfer matter. The basic question is the degree to which fiscal autonomy is evident in New Brunswick. It requires a return to first principles.

### General Principles

Municipalities in Canada represent a third level of responsible government. Since they are, in fact, "local" governments and provide "local" services, they are the level of government closest to the people. Nonetheless, according to the Constitution, they are creatures of the provincial governments. They do not have the constituent autonomy of either the federal or provincial governments. They are restricted by the Constitution to the precise responsibilities assigned to them by the Provinces. While Provincial-Municipal organization and financial arrangements

vary from Province to Province, it is the Provinces that define the services that local governments are allowed or required to provide, standards of service that are to be maintained and how they are to be financed. They are established for the purpose, generally speaking, of providing certain functions of government on behalf of, or instead of, the Province to their residents. Provincial assistance to municipalities is, at least partly, to be regarded as payment for their providing a particular service, or for their undertaking a government function which otherwise the Provincial government would be required to provide. In the absence of sufficient revenues to finance local expenditures from local residents, this, on its own, provides a basis for fiscal transfers from provinces to municipalities.

It is an accepted fact of Canadian life that fiscal transfer systems recognize that all citizens have a basic right to a reasonable standard of public services without having to pay unreasonably high taxes. At the national level, this is accomplished through Equalization payments from the Government of Canada to those provinces whose tax bases are not sufficiently rich to generate the level of revenues required to provide a minimum level of services. The fact that there are variations in tax bases among municipalities suggests a need for equalization in provincial-municipal fiscal transfers also. This provides also a basis for transfers from the Province to its municipalities.

Under the Municipalities Act in New Brunswick, municipalities are governed by an elected Mayor and council who impose taxes on their citizens and use the proceeds to finance the

government functions for which they are responsible and the services they provide. Municipal councils are responsible to their electorates for all expenditures which they make including those financed with transfer payments from the provincial or federal governments.

Similarly, the Province is responsible to its electorate for all of its expenditures, including transfers to municipalities, whether they are financed by taxes or by transfers from the federal government. The Province, therefore, must ensure that such transfers are necessary and effective. In making this determination, the types of transfers, the level of funding and the rate of growth of municipal expenditures are important considerations.

These general statements provide reference points for determining the appropriate role for an unconditional grant and for the allocation of Unconditional Grant funds to municipalities. They suggest certain principles and program design criteria that should be respected by the system.

One means of carrying out this assessment is to test the degree to which the system of provincial-municipal fiscal transfers in New Brunswick resembles a "model" system.

The key reference points in a model system are as follows:

1.) A clear division of responsibilities between the Province and its municipalities based on the area to which the benefits of given services accrue;

2.) The provision of adequate financial capabilities to municipalities to provide the service;

3.) A transfer which encourages the establishment of priorities locally; and,

4.) A framework for Provincial-Municipal consultation.

Viewed in this context, the New Brunswick system stacks up well against a model system. The most significant matter to consider is the allocation of Provincial-Municipal expenditure responsibilities in New Brunswick. It is generally accepted that the situation that prevails in New Brunswick is far superior to that which exists in many other provinces. The Province has clearly distinguished between those "general" services (to people), and "local" services" (to property). As a consequence, New Brunswick municipalities are not confronted with pressures associated with providing those services which are most expensive and where costs are increasing most rapidly. Since these services are delivered centrally by the Province, it is possible to establish uniform quality of service across the Province as an objective. The difficulties faced by municipalities in other Provinces in attempting to provide standard services with widely varying fiscal capacities do not exist.

Since New Brunswick municipalities are left then with responsibility for providing "local services", supported by significant provincial financial support, virtually all of which is provided unconditionally, it is easier to establish local priorities. Municipalities are not faced with the pressures to

provide specific services at a given standard; policing is the only compulsory service that New Brunswick Municipalities must provide. At the same time, there are a wide range of services that a municipality may choose to provide and a wide range of delivery mechanisms that can be used to provide them.

The clear allocation of expenditure responsibilities in New Brunswick is supported by a taxation system which establishes a source of revenue for municipalities and a means of insuring fair treatment of tax-payers in all municipalities. The Province shares the Real Property Tax field with municipalities. The Province carries out uniform assessment based on true market value across the Province. The charge to New Brunswick municipalities for this service is not substantial particularly when considered in the context of the efficiencies that accrue from a province-wide system. Uniform assessment contributes not only to tax harmonization but also provides an accurate measure of the fiscal capacity of New Brunswick municipalities. This is an important consideration in the design of a fiscal transfer system.

The nature of the Provincial-Municipal transfer system in New Brunswick is intended to recognize local autonomy. Unlike other Provinces, an Unconditional Grant instead of a series of conditional grants - with their own requirements and administrative procedures - is the dominant fiscal transfer.

The autonomy and accountability of the municipal councils is not impeded by a series of conditional grants to local specific purpose boards.

There exists in New Brunswick a good system for provincial-municipal consultation. The Provincial-Municipal Council provides a forum for the Province and municipalities to discuss matters of concern and proposed policy changes. It has become commonplace for changes in government policy respecting municipalities to be discussed with the Provincial-Municipal Council as part of the normal decision- making process of government. There are, of course, constraints which normally reflect the supremacy of the Legislature where legislative changes are involved. The Council meets on a regular basis, usually monthly. The Minister of Municipal Affairs serves as the chairman of the Council in alternate years.

The overall system of provincial-municipal fiscal arrangements works well for New Brunswick, partly because it is appropriate for a Province with a small population. It obviously has been viewed as having merit by other jurisdictions; a number of other provinces have instituted certain features of the New Brunswick system.

**Policy Issues**

Nothwithstanding the above, changes may be desirable after almost two decades. These changes should reflect the fact that **because of the system of provincial-municipal arrangements that have been in place**, municipalities have reached a new stage of maturity. This is particularly evident in municipal demands for more autonomy. It is apparent that New Brunswick

municipalities want - and perhaps require - increased local fiscal autonomy in the future. If this course is followed, one can postulate some of the manifestations of such an approach.

Recognition of local fiscal autonomy suggests that municipalities should have considerable freedom in establishing their budgets and their tax rates. The announcement by the Minister of Municipal Affairs in August 1985 that provincially imposed municipal budget guidelines would be lifted in the 1986 municipal fiscal year is significant in this respect. By limiting the Province's role in the municipal budget process to reviewing and approving municipal budgets rather than requiring a strict adherence to a provincially established guideline, municipalities were free in the 1986 year to establish their budgets and tax rates without Provincial "intrusions".Proposed changes in legislation and policy to increase the flexibility of municipalities in the treatment of Reserve Funds is another move in the direction of increased local autonomy.

A basic question regarding local fiscal autonomy in New Brunswick is whether the Unconditional Grant will be as appropriate a fiscal transfer mechanism in the late 1980's as it was when it was originally introduced. A related question is whether the grant should continue to be as significant a component of the Provincial-Municipal fiscal transfer system in New Brunswick as it has been in the past.

To these questions, one must conclude that the rationale for a Provincial-Municipal fiscal transfer system founded largely on unconditional transfers may be as valid today

as it was almost twenty years ago. This still leaves the question, however, of whether a single transfer, the Unconditional Grant, should dominate the Provincial-Municipal Fiscal Transfer system and represent as large a proportion of municipal budgets as it has, and currently does.

Increased local autonomy also suggests the need to consider alternative approaches for delivering public services and particularly how municipalities and/or Local Services Districts can collectively provide certain services. While the Province of New Brunswick is well-organized in terms of the allocation of provincial and municipal responsibilities and has established a system of provincial-municipal fiscal arrangements that recognizes this, it is becoming evident that one improvement that could be made is to establish mechanisms to facilitate the joint provision of certain "local services" on a regional basis.

It has been demonstrated that there are alternatives that could achieve the desired objectives without imposing another level of government on the citizens of the Province. There are various types of institutional arrangements to provide regional services currently in place. Examples include: regional police forces, regional planning commissions, regional industrial development commissions, ambulance commissions and muncipal sewage commmissions. The objective of these mechanisms is to facilitate the provision of services at a standard agreed to by the citizens on the region, on a sufficiently wide geographical area to allow the services to be provided on a cost efficient

basis and in line with the needs and desires of the community. With few exceptions, ambulance commissions being the most notable, the Commissions involve municipalities rather than municipalities and unincorporated areas.

Local commissions can be structured and operated in such a way that local autonomy is respected and still yield the efficiencies and productivity improvements that can accrue from municipal services being provided on a regional basis particularly where a number of small municipalities are involved. The autonomy of the local governments who are party to the agreement can be respected by leaving the responsibility for financing with the municipalities and as such with the government that is directly accountable to its electorate for the service.

Transfer Tax Room to Municipalities

As noted earlier, the most telling criticism of the current Unconditional grant system in New Brunswick from a public finance standpoint, is the dominant role that the Unconditional Grant plays in financing municipal budgets. Based on public finance principles and particularly the importance of local fiscal autonomy, a case can be made that municipalities should rely to a more significant extent on their own source revenues, both taxes and user charges. This observation becomes more significant when one considers that the amount of funding provided by the Province of New Brunswick to its municipalities is significantly greater than in other provinces and that municipalities in New Brunswick rely less on local taxes than do those in other provinces.

The principles of autonomy, accountability and responsibility imply that the level of government that spends should also be the government that taxes. This suggests that, if tax room is available, the New Brunswick Unconditional Grant should be reduced and municipalities given the opportunity to fund more of their budgets from their own sources. Whether this is, in fact, an option depends to, a very great extent, on tax policy considerations. While an apparent significant source of tax room is currently available in the property tax as a result of the provincial property tax credit of $1.50 per $100 per assessment on owner-occupied residential properties in municipalities, it is an inescapable fact that municipal taxpayers are also provincial taxpayers. Whether tax room of this extent is, in fact, available, therefore, requires an overall assessment of tax effor and tax burden in the Province. One question that must be considered in this context, then, is whether the increases in other taxes by the Province have, in fact, taken up the tax room that was available as a result of the property tax credit. A related question is whether municipal property tax rates have increased since 1974 by an amount sufficient to take up the room left by the Province. There is no firm answer to this question. In fact, it can be seen as one of the reasons for the current analysis of the New Brunswick tax structure. Accordingly, the appropriate time for consideration of the issue is in context of the findings and recommendations of the study.

The extent to which a tax transfer was used to effect such a change in provincial-municipal fiscal arrangements must of necessity consider the implications for the tax burden on individual taxpayers and the incidence of the overall system of taxation. If a tax transfer were introduced it would change in a very significant way the most appropriate type of Unconditional Grant formula to be used. The type of formula would need to reflect the total amount of the tax transfer involved. This, in turn, would determine the extent to which the Unconditional Grant should supplement municipal revenues to eliminate vertical fiscal imbalance and equalize municipal finances. The more municipalities depended on their own taxes to fund their budgets, the more important an equalization component would become.

The implications of a tax transfer would depend on the amount allocated by government for the equalization grant and the formula used. Reducing the amount provided through the foundation grant without a formal tax transfer would probably have the effect of municipalities taking up the tax room available through the Provincial Property Tax Credit on Owner-Occupied Residential Property. The extent to which this occurred would depend on the extent to which the Province controls municipal budgets and tax rates, budget decisions by individual Municipal Councils and, of course, local revenue growth. It would also enhance the ability of municipalities to plan their budgets on a longer-term basis. It would have significant implications for the Province. First of all, it would place more pressure on the equalization formula. Secondly, it would reduce the commitments of the Province to

longer-term expenditures. Thirdly, it would require a reconsideration of the amount of grant support provided to Local Service Districts.

Such a fundamental change must recognize that municipal taxpayers are also provincial taxpayers. As a consequence a tax transfer should take into consideration the increases in provincial taxes that have taken place in recent years - increases that have been required in part to maintain the current level of Unconditional Grant funding. Depending on the shift in overall (provincial-municipal) tax burden that could occur with a tax transfer, such a transfer should also consider the desirability o introducing some form of tax credit for low income taxpayers.

In conclusion, it is imperative that any change in provincial-municipal fiscal arrangements in New Brunswick be considered in the perspective of the overall nature of such arrangements. Any changes must consider the integrity of the current system and the degree to which such changes would affect this. Similarly, one must consider the implications for overall incidence of taxation in New Brunswick. As previously noted, t appropriate mode for consideration of basic taxation policies i in the context of the findings and recommendations of the Study New Brunswick's Tax Structure.

# CHAPTER TEN

# REVIEW OF THE UNCONDITIONAL GRANT

# CONCLUSIONS AND RECOMMENDATIONS

The analysis that has been undertaken in the Review of the Unconditional Grant has indentified certain improvements that could be made in the Grant. Some relate to the concept of an unconditional grant to municipalities while others relate specifically to the New Brunswick Grant. A number of the issues identified could be rectified through changes in the formula itself. Others could be dealt with through changes to the policy environment in which the grant operates. The proposals are based on established public finance principles.

## Public Finance Principles

Of primary importance in a transfer system is a respect for the autonomy of the recipient government. This means that a transfer system should be **neutral** in that it should address the imbalances that exist and still allow the recipient the greatest degree of fiscal autonomy. This issue is of particular concern to municipalities in New Brunswick.

The transfer should be performed in such a way that both the governments involved remain **accountable** and **responsible** to the taxpayer. Situations whereby a fiscal transfer exonerates

a particular government from responsibility allows that government to make decisions without regard to the best interest of taxpayers involved.

The transfer system should be sufficiently **simple** that it is both easy to understand and to administer. This principle is often difficult to adhere to given the objectives of the various other principles. It is, nevertheless, an important consideration.

It is essential that a transfer system be **equitable.** It should address the real needs of the recipient government relative to its resources and those of similar governments and should also be affordable from the point of view of the resources of the government which provides the transfer. These principles directly reflect the goals of a transfer system to alleviate, or at least lessen, horizontal and vertical fiscal imbalances.

A transfer system should be **predictable** so that the levels of government involved are able to plan and budget without undue concern that a considerable change in the amount of transfer could occur. This predictability must be tempered with **flexibility** to allow for the changing requirements and resources of the governments involved.

The overall amount of the transfer fund must be **adequate** for the efficient operation of the recipient government without imposing too severe a tax burden on its citizens.
Of primary importance in a transfer system is a respect for the autonomy of the recipient government. This means that a transfer system should be **neutral** in that it should address the imbalances

that exist and still allow the recipient the greatest degree of fiscal autonomy. This issue is of particular concern to municipalities in New Brunswick.

**Features of Proposed Unconditional Grant Formula**

The proposed Unconditional Grant formula draws on certain features of the current New Brunswick formula, formulae used in other provinces and has certain characteristics of the original Byrne Formula. It represents a blend of the desirable features of each of these formulae. It provides a clear conceptual framework for measuring municipal fiscal capacity and fiscal need.

Class of Municipalities - Grouping municipalities in classes creates a situation where the needs, resources and aspirations of similar municipalities are compared.

Class A contains the three largest cities: Saint John, Moncton and Fredericton. Class B is comprised of the remaining three cities - Bathurst, Edmundston and Campbellton - and five of the larger towns - Oromocto, Dieppe, Chatham, Newcastle and Dalhousie.

Class C is comprised of nineteen towns and six of the larger villages. Municipalities in this group generally serve as bedroom communities to larger municipalities or serve as regional service centres.

The municipalities not included in the first three groups, 78 in all, comprise Class D. It includes, therefore, two towns and the remainder of the villages.

Grant Pools - Rather than determining one overall amount of grant fund, it is desirable to determine annually a grant fund for each class of municipality. This allows for the creation of each grant pool on the basis of fiscal need and should reflect changes in requirements and responsibilities. It is desirable also that the pools be determined annually by Cabinet rather than fixing the allocation by formula or by index. This is intended to allow Government to react to a situation where municipalities in a class would act collectively in such a way as to increase their share of grant funding at the expense of municipalities in other classes. The creation of the grant pools in this way partially eliminates the necessity for the graded population adjustment.

Tax Rate Denominator in place of Assessment Base - The Tax Rate Denominator is a better reflection of pure revenue need than assessment base. Tax Rate Denominator reflects the total amount of revenue a municipality is capable of generating with its local tax rate in comparison to another municipality. It is desirable to use this base when a grant formula has another component which addresses fiscal need.

Expenditure Base - It is desirable to utilize an expenditure base which is an accurate reflection of a municipality's needs to provide services. Standard expenditures which utilize averages do not accurately reflect this need. The best available reflection of a municipality's need is its actual budget. The use of actual net budget in such a way that a municipality does not alter its spending pattern to influence its

grant support would achieve the goal of reflecting municipalities' fiscal needs. This could be achieved by indexing, annually, the established net budget base by the annual change in a price index (e.g. the Consumer Price Index).

Minimum Tax Rate - Owner-occupied residences in Local Service Districts (L.S.D's) are currently taxed at a provincial rate of $0.65 per $100 of assessment. This rate is imposed to partially compensate the Province for the local services provided to L.S.D.'s. It would be desirable to incorporate into an unconditional grant formula criteria to assure that unconditional grant support is only provided to a municipality to the extent that the support provided is that required if the rate were comparable to the minimum provincial residential tax rate in unincorporated areas. This minimum rate would also tend to discourage L.S.D.'s from requesting incorporation in order to achieve a lower tax rate.

Measure of Fiscal Need: Tax Effort - All municipalities have particular individual requirements, special needs and unusual expenditures. It would be desirable if an unconditional grant formula could somehow reflect all of these expenditure pressures without having to individually address them. Since all these requirements reflect expenditures and since they are financed partly by the local warrant, it is possible to capture these concerns by examining the degree to which a municipality utilizes the tax base available to it in comparison to similar

municipalities. The concept of a tax effort adjustment is based on sound principles of public finance and is considered to be an accurate and dynamic reflection of fiscal need.

**Implications for other Policies**

While the proposed formula can address many issues identified and adhere to some of the established principles, there are other issues, outside of the actual allocation formula which have been identified and must be addressed. Other of the public finance principles influence the course to be followed in addressing these issues.

Recognition of fiscal autonomy in the design of a provincial-municipal fiscal transfer system implies that neither the type of system, the amount of grant support nor the formula should influence municipal decisions. This suggests most importantly that an Unconditional Grant is superior to a series of conditional grants. Recognition of local fiscal autonomy also suggests that municipalities should have considerable freedom in establishing their budgets and their tax rates. Removal of provincial guidelines on municipal budgets is consistent with this.

The province's provincial-municipal fiscal arrangements system could be altered in a fundamental way to further recognize fiscal autonomy. This fundamental change would involve a transfer of tax room.

It is a basic principle of public finance that the government that provides a service should also be the government that levies the tax to finance that service. Where the Unconditional Grant in New Brunswick funds such a significant portion of municipal budgets, particularly when compared to other provinces, it is appropriate to question whether the grant should, in fact, play such a significant role in municipal finance. New Brunswick may be impinging on the fiscal autonomy of municipalities by transferring so much through the Unconditional Grant. The alternative would be to allow municipalities more tax room where they would finance more of their budgets through their local warrant and own source revenue.

A significant source of tax room is currently available in the property tax field as a result of the property tax credit on owner-occupied properties in municipalities. The transfer of tax room, however, must be considered as a tax policy issue within an assessment of the overall provincial-municipal tax burden.

The magnitude of the current Unconditional Grant and the large proportion that it represents of total provincial transfers to municipalities means that funds that could be provided to municipalities to achieve specific purposes are not available. The need to upgrade municipal infrastructure is a major concern of municipalities currently, particularly in light of the absence of federal funding for such purposes in recent years. Consideration might be given to reallocating some funds currently used for the Unconditional Grant for specific types of

conditional grant programs. Particular attention might be given to increasing the amount of Stimulation Grant funding to allow the program to address the specific objectives for which it was originally established. This would mean assigning high priority to projects for newly amalgamated or annexed areas to assist in developing or improving services in this area. It could also allow the Stimulation Grant to be used as a source of funding for types of projects that have in the past been funded under the "first time and unusual expenditures" provision of the Unconditional Grant. A current example is the funding provided for the establishment of computer systems in medium and small municipalities.

One of the fundamental problems raised by municipalities during the Review of the Unconditional Grant relates to the total amount of grant funding available rather than the manner in which the Unconditional Grant is determined for individual municipalities. More specifically, municipalities feel that, in order to properly plan for the future and establish long range goals and policy, they must be able to predict, for a reasonable term, the amount of unconditional grant funding available.

It is unreasonable to expect, given the Province's fiscal situation and in times of restraint, that the "old" system of allowing the Unconditional Grant to grow at the same rate as Net Ordinary Revenues can be maintained. Rather, it would be more appropriate to establish a reasonable reference level for growth in Unconditional Grant funding based on several

considerations including the fiscal position of the province, the fiscal position of municipalities, guidelines being used by the Province in formulating budgets for departments and agencies, the rate of inflation, and factors which will affect provincial taxes and municipal taxes.

If a new Unconditional Grant system is introduced, consideration might be given to a transition payment, a form of revenue guarantee, for municipalities that would receive less Unconditional Grant funding under the new formula than the old. Implementation of the proposed Unconditional Grant system will invariably mean that there will be "winners" and "losers" in the short term. This is an inescapable fact with any allocation formula. The magnitudes of these variations, however, are not expected to be severe enough to require a phase-in period of greater than one year.

Consistent with the finding in this Review, it is important that the grant be reviewed within five years of its implementaiton.

**Conclusion**

The allocation of responsibility for providing and financing services imposes certain responsibilities on both levels of government involved. Under the Municipalities Act in New Brunswick, municipalities are governed by an elected Mayor and council who impose taxes on their citizens and use the proceeds to finance the government functions for which they are responsible and the services they provide. Municipal councils

are responsible to their electorates for all expenditures which they make including those financed with transfer payments from the provincial or federal government.

Similarly, the Province is responsible to its electorate for all of its expenditures, including transfers to municipalities, whether they are financed by taxes or by transfers from the federal government. The Province, therefore, must ensure that such transfers are necessary and effective. In making this determination, the types of transfers, the level of funding and the rate of growth of municipal expenditures are important considerations.

The intention of the proposal outlined above is to take these basic considerations into account.

# APPENDIX A

## REVIEW OF THE UNCONDITIONAL GRANT

## GLOSSARY OF TERMS

### BUDGETARY TERMS

**Municipal Gross Budget**

The gross budget of a municipality includes all general fund expenditures incurred by a municipality in the provision of local services. Typical services include police and fire protection, roads and streets, community planning, waste disposal and recreation.

**Non-Tax Revenue**

Non-Tax Revenue is revenue which is derived by a municipality from the earnings of public utilities and other revenue-earning properties, income from rental of property or services, fees charged for licences or permits, fine revenues, and sales of services to individuals, other municipalities or Local Service Districts.

**Municipal Net Budget**

The Municipal Net Budget is gross expenditures less non-tax revenue. It is financed only by local property taxes (Local Warrant) and the Unconditional Grant.

**Unconditional Grant**

The Unconditional Grant is the grant paid by the Province to municipalities to support municipalities in financing local services. The grant is intended to serve two purposes - to provide a foundation for municipal finances and to equalize municipal fiscal circumstances. Components of the formula include assessment, population, road kilometerage and municipal expenditures.

**Local Warrant**

The Local Warrant is that part of the net budget which must be financed by the Municipal Real Property Tax. The tax base used in the calculation of the warrant is based on uniform assessments at true market value undertaken by the Province. The local tax rate is based on the net budget less the Unconditional Grant, all divided by the municipal tax base.

## ASSESSMENT AND TAXATION TERMS

**Assessment**

Assessment is the value for taxation purposes placed on properties. Assessment in New Brunswick is based on true market value. Assessments of property provide the basis for the tax base used in establishing property tax rates. The Province's assessment system classifies

properties into three groups: residential owner-occupied, residential non-owner-occupied, non residential.

**Municipal Tax Base**

The municipal tax base is the valuation at true market value of all real property in a municipality subject to the municipal tax rate.

**Tax Rate Denominator**

The tax rate denominator, which is used to calculate the residential property tax rate in a municipality, uses the valuation of residential property plus one and one-half times the valuation of non-residential property. This reflects the fact that because there is no business tax in New Brunswick, non-residential real property is taxed at a rate that is one and one-half times the residential rate.

**Municipal Real Property Tax Rates**

Municipal real property tax rates are established in New Brunswick by municipalities. The property tax rate is based on that part of expenditures which must be financed from own source revenues divided by the tax base. As noted above the municipal property tax rate on non-residential property is one and one-half times the residential rate.

## ECONOMIC TERMS

### Fiscal Transfers

Fiscal transfers include all transfers of monies from government to individuals, businesses and other levels of government. In the case of transfers from one level of government to another, transfers can be broken into two groups - conditional transfers and unconditional transfers. The basic difference between the two types of transfers is that conditional transfers or grants tend to have conditions attached to the transfer either in terms of expenditures that must be incurred or standards of services that must be provided. Generally unconditional transfers or grants have no "conditions" attached to them.

### Equalization

Equalization is the amount of revenue provided to a municipality to ensure it has a sufficient amount of funding to offset the deficiencies in its tax base. The objective is to ensure that each municipality has the ability to provide reasonable standards of services while levying tax rates which are reasonably close to similar jurisdictions.

**Fiscal Capacity**

Fiscal capacity is a measure of the ability of a municipality to generate revenues from its tax base relative to similar municipalities. Equalized fiscal capacity is a measure of the revenue that a municipality would be able to generate if its tax base were as "rich" as similar municipalities.

**Tax Effort**

Tax effort is a measure of the degree to which a municipality taxes its residents (to provide services) relative to other municipalities. It can be considered as a form of equalization. As noted above, equalized fiscal capacity measures a municipality's ability to generate revenue from its tax base at average tax rates, tax effort takes into account the degree to which tax rates vary.

**Expenditure Effort**

Expenditure effort is a measure of the extent to which municipalities spend funds available to them. It allows comparisons of the expenditures (total or by function) of one municipality to others. It is usually based on expenditures per capita. Expenditure effort is not meant to be a measure of the quality, need or cost of services among municipalities.

**Population Density**

Density measures the size of a municipality's population relative to the geographic area it covers.

**Fiscal Need**

Fiscal need is a measure of a municipality's requirement for funding relative to other similar municipalities. It can be used to measure the funding required to allow them to provide reasonable standards of services without having to impose unduly high rates of taxation. In simple terms fiscal need can be defined as the relative need of a given municipality to incur expenditures minus its ability to raise revenues.

**Tax Burden**

Tax Burden measures the amount of taxation borne by a given taxpayer. Estimates of tax burden can be developed for a particular tax or particular type of taxpayer. The burden on one taxpayer, by itself, is not particularly significant; it is more significant when compared to the burdens on other taxpayers and measures of income and wealth.

**Standard Expenditures**

Standard expenditures is one method of establishing an expenditure base for municipalities to be used in an unconditional grant formula. Generally, the "standard expenditure" for a municipality is an average of expenditures (usually, per capita) of municipalities that are similar in terms of population, land area, economic base, composition of tax base, etc.

**Foundation Grant**

A foundation grant (or base funding) to municipalities can be considered as a block transfer from the Province which compensates municipalities for those services which they provide instead of the province. It can be based on actual expenditures, standard expenditures, specific types of expenditures, etc.

**Equalization Grant**

An equalization grant is a grant which compensates municipalities for deficiencies in their tax base relative to similar municipalities.

**Equalization Adjustment**

An equalization adjustment serves actually the same purpose as an equalization grant. However, an adjustment is made to the foundation grant of all municipalities rather than simply providing a separate special grant to those municipalities whose tax bases are not sufficiently rich to generate the same level of revenues as an "average" municipality.

**Grant Pool(s)**

A grant pool is the total amount of funding available for the Unconditional Grant either for all municipalities or groups of municipalities.

## THE OLD FORMULA

### Population

Population is the most recent statistics estimate of the population of municipalities. Statistics Canada data from the 1981 census will be used until the 1986 census results become available in 1987.

### Assessment

Assessment is the annual valuation of real property in each municipality undertaken by the Assessment Branch of the Department of Municipal Affairs and Environment.

### Kilometerage

Kilometerage in the current formula is the kilometerage of municipal roads and streets plus one-half of the kilometerage of provincially designated highways.

### Graded Population Adjustment

Graded Population Adjustment is the ratio applied to the percentage of grant support to allow for higher per capita costs of providing services in municipalities with large populations (greater than 5,000). It is calculated as Municipal Population minus 5,000 divided by 200,000.

### Approved Shareable Expenditures

Approved Shareable Expenditures is the expenditure based used in the current formula. It is 1977 municipal net budget adjusted for annual increases and approved expenditures allowed by the Province.

**Factor**

The "factor" in the current formula is the ratio of Unconditional Grant funding available to municipalities to the amount of funding that would be provided if grant funding were based solely on the formula.

## THE PROPOSED FORMULA

**Classes of Municipalities**

There are four classes of municipalities in the new formula. Each class is comprised of municipalities which have similar characteristics (e.g. net budget, population, area, kilometerage and assessment).

**Assessment Component**

The assessment component of the formula compares the tax rate denominator per capita of a municipality to the tax rate denominator per capita for the class.

**Grant Pool**

In the proposed new formula, a grant pool is established annually for each class of municipality rather than simply establishing one pool for all municipalities.

**Density Component**

The density component of the formula compares tax rate denominator per kilometer of all municipal and provincial roads and streets in the municipality to the average for the class. The density component has a weight of 20 per cent in the formula.

**Expenditure Base**

The expenditure base in the formula is the expenditure to which the percentage of grant support is applied. The expenditure base in the formula is a municipality's 1986 net budget escalated by the projected annual rate of inflation and adjusted for population changes.

**Tax Effort**

Tax effort compares the revenue a municipality generates from its tax base relative to what it could generate with an average tax rate for the class. The tax effort, multiplied by the unadjusted Unconditional Grant, adjusted for the amount of grant funding available to the class, is the actual Unconditional Grant for a municipality.

**Minimum Tax Rate**

In the proposed new Unconditional Grant formula, a minimum municipal tax rate is established. The minimum rate is 65¢ per $100 of assessment, the effective provincial property tax rate on owner-occupied residences in unincorporated areas. As a consequence of this measure, the Unconditional Grant for a municipality whose tax rate would otherwise be less than 65¢ per $100 of assessment is its Net Budget less its Local Warrant at a 65¢ rate.

## APPENDIX B

## REVIEW PROCESS

**PRESENTATIONS:**

Provincial-Municipal Council, Inc.

Cities of New Brunswick Association

Towns of New Brunswick Association

Association of the Villages of New Brunswick

**BRIEFS:**

City of Fredericton

City of Saint John Finance Committee

Samuel Davis

City of Moncton

Town of Chatham

Town of St. Andrews

Town of Woodstock

Town of Shediac

P. P. Desfósses, Councillor, Village of Gagetown

**MEETINGS:**

MAOA Committee on Review and Study of the Unconditional Grant

October 25, 1984

August 15, 1985

November 5, 1985

December 11, 1985

## MUNICIPAL GRANT CALCULATION — 1985 — CALCUL DES SUBVENTIONS AUX MUNICIPALITES

| Municipality Municipalité | Population Population | Municipal Assessment Base Assiette d'évaluation municipale | Initial Municipal Grant Base (1% of Municipal Assessment Base) Assiette initiale des subventions aux municipalités (1% de l'assiette d'évaluation municipale) | Municipal Assessment per capita (Item 3 ÷ Item 2) Evaluation municipale par habitant (article 3 ÷ article 2) | Item 4 x overall Assessment per capita ÷ Municipal Assessment per capita Article 4 x l'évaluation globale par habitant ÷ l'évaluation municipale par habitant | Rd. km. | Municipal Assessment per road km (Item 3 ÷ Municipal Grant km Evaluation municipale par km de chemin (article 3 ÷ subvention municipale par km de chemin) | Item 4 x Overall Assessment per Road km ÷ Municipal Assessment per road km Article 4 x l'évaluation globale par km de chemin ÷ l'évaluation municipale par km de chemin | Partially Adjusted Municipal Grant Base (Item 8 + ¼ of Item 8) Assiette partiellement rajustée des subventions aux municipalités (article 8 + ¼ de l'article 8) | Graded Population Adjustment (Item 9 x population excess above 5,000 ÷ 200,000) Redressement progressif en fonction de la population (Article 9 x population dépassant 5,000 ÷ 200,000) | Fully Adjusted Municipal Grant Base (Item 9 + Item 10) Assiette des subventions aux municipalités totalement établie (Article 9 + article 10) | Fully Adjusted Municipal Grant Base + Initial Municipal Grant Base (Item 11 + Item 4) Assiette entièrement rajustée des subventions aux municipalités + assiette initiale des subventions aux municipalités (Article 11 + article 4) | Percentage of Grant Support (Item 11 ÷ Item 12 x 100) Pourcentage de la subvention (article 11 ÷ article 12 x 100) | Adjusted Percentage Pourcentage régularisé |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ITEM # — 1 | 2 | 3 | 4 | 5 | 6 | Rd. km. | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| Bathurst | 15,705 | 347,012,700 | 3,470,127 | 22,096 | 3,128,625 | 127.667 | 2,718,108 | 3,212,641 | 3,931,785 | 210,449 | 4,142,234 | 7,612,361 | 54.41 | 44.02 |
| Campbellton | 9,818 | 163,092,000 | 1,630,920 | 16,612 | 1,955,864 | 56.283 | 2,897,713 | 1,416,318 | 2,309,943 | 55,647 | 2,365,590 | 3,996,510 | 59.19 | 47.89 |
| Edmundston | 12,044 | 281,131,100 | 2,811,311 | 23,342 | 2,399,310 | 63.513 | 4,426,320 | 1,598,268 | 2,798,877 | 98,576 | 2,897,453 | 5,708,764 | 50.75 | 41.06 |
| Fredericton | 43,723 | 1,157,295,800 | 11,572,958 | 26,469 | 8,710,148 | 262.075 | 4,415,895 | 6,594,914 | 10,358,877 | 2,005,634 | 12,364,511 | 23,937,469 | 51.65 | 41.79 |
| Moncton | 54,743 | 1,211,431,700 | 12,114,317 | 22,129 | 10,905,465 | 308.558 | 3,926,107 | 7,764,623 | 12,846,621 | 3,195,147 | 16,041,763 | 28,156,085 | 56.97 | 46.09 |
| Saint John | 80,521 | 1,716,485,600 | 17,164,856 | 21,317 | 16,040,753 | 447.918 | 3,832,142 | 11,271,509 | 18,858,630 | 7,121,113 | 25,979,743 | 43,144,599 | 60.22 | 48.71 |
| Beresford | 3,652 | 45,426,300 | 454,263 | 12,439 | 727,522 | 31.390 | 1,447,135 | 789,918 | 925,002 | 0 | 925,002 | 1,379,265 | 67.06 | 54.26 |
| Caraquet | 4,315 | 83,866,200 | 838,662 | 19,436 | 859,600 | 60,945 | 1,376,096 | 1,533,634 | 1,243,008 | 0 | 1,243,008 | 2,081,670 | 59.71 | 48.31 |
| Chatham | 6,779 | 96,470,500 | 964,705 | 14,231 | 1,350,458 | 40.729 | 2,368,595 | 1,024,914 | 1,606,687 | 14,291 | 1,620,978 | 2,585,683 | 62.69 | 50.72 |
| Dalhousie | 5,707 | 130,181,700 | 1,301,817 | 22,811 | 1,136,903 | 37.259 | 3,493,920 | 937,606 | 1,371,305 | 4,848 | 1,376,152 | 2,677,969 | 51.39 | 41.57 |
| Dieppe | 8,511 | 181,380,800 | 1,813,808 | 21,311 | 1,695,494 | 60.688 | 2,988,718 | 1,527,179 | 2,077,288 | 36,467 | 2,113,755 | 3,927,563 | 53.82 | 43.54 |
| Grand Falls | 6,203 | 114,314,600 | 1,143,146 | 18,429 | 1,235,712 | 56.808 | 2,012,280 | 1,429,542 | 1,593,098 | 9,582 | 1,602,680 | 2,745,826 | 58.37 | 47.22 |
| Hartland | 846 | 17,831,700 | 178,317 | 21,078 | 168,533 | 9.752 | 1,828,423 | 245,414 | 229,887 | 0 | 229,887 | 408,204 | 56.32 | 45.56 |
| Lameque | 1,571 | 31,110,000 | 311,100 | 19,803 | 312,962 | 14.529 | 2,141,235 | 365,611 | 404,365 | 0 | 404,365 | 715,465 | 56.52 | 45.72 |
| Nackawic | 1,357 | 33,351,500 | 333,515 | 24,577 | 270,331 | 15.315 | 2,177,631 | 385,403 | 366,681 | 0 | 366,681 | 700,196 | 52.37 | 42.37 |
| Newcastle | 6,284 | 124,875,100 | 1,248,751 | 19,872 | 1,251,848 | 52.464 | 2,380,205 | 1,320,216 | 1,581,902 | 10,156 | 1,592,058 | 2,840,809 | 56.04 | 45.34 |
| Oromocto | 9,064 | 219,497,200 | 2,194,972 | 24,216 | 1,805,658 | 55.173 | 3,978,344 | 1,388,386 | 2,152,754 | 43,744 | 2,196,498 | 4,391,470 | 50.02 | 40.46 |
| Quispamsis | 6,022 | 109,500,400 | 1,095,004 | 18,183 | 1,199,655 | 65.959 | 1,660,128 | 1,659,807 | 1,614,607 | 8,251 | 1,622,857 | 2,717,861 | 59.71 | 48.31 |
| Riverview | 14,907 | 260,225,000 | 2,602,250 | 17,457 | 2,969,654 | 84.684 | 3,072,876 | 2,131,020 | 3,502,409 | 173,492 | 3,675,901 | 6,278,151 | 58.55 | 47.37 |
| Rothesay | 1,764 | 46,447,400 | 464,474 | 26,331 | 351,410 | 18.283 | 2,540,400 | 460,090 | 466,433 | 0 | 466,433 | 930,907 | 50.11 | 40.34 |
| Sackville | 5,654 | 143,078,800 | 1,430,788 | 25,306 | 1,126,345 | 79.484 | 1,800,096 | 2,000,153 | 1,626,383 | 5,318 | 1,631,701 | 3,062,489 | 53.28 | 43.10 |
| St. Andrews | 1,760 | 52,929,500 | 529,295 | 30,074 | 350,613 | 28.473 | 1,858,937 | 716,501 | 529,738 | 0 | 529,738 | 1,059,033 | 50.02 | 40.47 |
| St. George | 1,163 | 28,089,900 | 280,899 | 24,153 | 231,684 | 15.427 | 1,820,768 | 388,221 | 328,739 | 0 | 328,739 | 609,638 | 53.92 | 43.62 |
| St. Leonard | 1,566 | 16,474,700 | 164,747 | 10,520 | 311,966 | 8.144 | 2,022,925 | 204,937 | 363,200 | 0 | 363,200 | 527,947 | 68.79 | 55.66 |
| St. Stephen | 5,120 | 87,527,700 | 875,277 | 17,095 | 1,019,966 | 37.892 | 2,309,926 | 953,523 | 1,258,346 | 755 | 1,259,101 | 2,134,378 | 58.99 | 47.72 |
| Shediac | 4,285 | 72,712,900 | 727,129 | 16,969 | 853,624 | 41.626 | 1,746,814 | 1,047,486 | 1,115,495 | 0 | 1,115,495 | 1,842,624 | 60.54 | 48.98 |
| Shippagan | 2,803 | 62,724,900 | 627,249 | 22,378 | 558,391 | 19.805 | 3,167,045 | 498,390 | 682,989 | 0 | 682,989 | 1,310,238 | 52.13 | 42.17 |
| Sussex | 3,972 | 89,977,800 | 899,778 | 22,653 | 791,270 | 32.761 | 2,746,449 | 824,418 | 997,375 | 0 | 997,375 | 1,897,153 | 52.57 | 42.53 |
| Tracadie | 2,452 | 52,867,700 | 528,677 | 21,561 | 488,468 | 19.391 | 2,726,404 | 487,959 | 610,458 | 0 | 610,458 | 1,139,135 | 53.59 | 43.35 |
| Woodstock | 4,649 | 101,009,600 | 1,010,096 | 21,727 | 926,137 | 36.112 | 2,797,120 | 908,730 | 1,153,319 | 0 | 1,153,319 | 2,163,415 | 53.31 | 43.13 |

# CITIES & TOWNS — BUDGETS, GRANTS, WARRANTS, VALUATION, TAX RATES — 1985
# CITIES & VILLES — BUDGETS SUBVENTIONS, MANDATS, EVALUATIONS, TAUX DE TAXE — 1985

| Municipality / Municipalité | Percentage Grant Support / Pourcentage de subvention | Approved Shareable Expenditures / Dépense partageable approuvée | Gross Expenditures / Dépense brute | Non-Tax Revenue / Revenus non fiscaux | Municipal Net Budget / Budget net municipalité | Unconditional Grant / Subvention inconditionnelle | Warrant / Mandat | Tax Base For Local Rate / Assiette fiscale pour taux de taxe locale | 1984 Residential Tax Rate / Taux de taxe 1984 résidentiel | Taxing Authority / Administration fiscale |
|---|---|---|---|---|---|---|---|---|---|---|
| Bathurst | 54.41 | 7,997,839 | 9,274,328 | 773,169 | 8,501,159 | 3,520,776 | 4,980,383 | 390,619,150 | 1.2750 | 800.00 |
| Campbellton | 59.19 | 4,770,096 | 5,534,759 | 752,179 | 4,782,580 | 2,284,211 | 2,498,369 | 177,897,300 | 1.4044 | 900.00 |
| Edmundston (I) | 50.75 | 6,291,903 | 7,053,616 | 354,575 | 6,699,041 | 2,583,491 | 4,098,618 | 318,365,450 | 1.2874 | 100.01 |
| (O) | | | | | | | 16,932 | 1,612,550 | 1.0500 | 100.02 |
| Fredericton (I) | 51.65 | 21,702,395 | 27,261,058 | 3,525,081 | 23,735,977 | 9,068,948 | 13,933,569 | 1,225,507,050 | 1.1370 | 300.01 |
| (O) | | | | | | | 733,460 | 86,013,900 | 0.8527 | 300.02 |
| Moncton (I) | 56.97 | 31,926,165 | 36,394,567 | 2,407,656 | 33,923,911 | 14,715,575 | 18,726,661 | 1,356,635,950 | 1.3804 | 600.01 |
| (O) | | | | | | | 481,673 | 38,771,700 | 1.2423 | 600.02 |
| Saint John | 60.22 | 54,336,568 | 64,287,702 | 5,888,284 | 58,399,418 | 26,469,832 | 31,929,586 | 2,062,629,750 | 1.5480 | 550.00 |
| Total Cities | | 127,024,967 | 149,806,030 | 13,763,944 | 136,042,086 | 58,642,833 | 77,399,251 | 5,658,052,800 | | |
| Beresford | 67.06 | 931,674 | 1,179,159 | 183,567 | 995,592 | 505,486 | 490,106 | 47,595,600 | 1.0297 | 810.00 |
| Caraquet | 59.71 | 1,495,603 | 1,998,576 | 346,100 | 1,652,476 | 722,485 | 929,991 | 92,873,400 | 1.0013 | 803.00 |
| Chatham | 62.69 | 2,440,931 | 2,904,350 | 280,455 | 2,623,895 | 1,237,964 | 1,385,931 | 108,338,100 | 1.2793 | 751.00 |
| Dalhousie (I) | 51.39 | 3,388,694 | 3,711,743 | 257,133 | 3,454,610 | 1,408,782 | 2,040,617 | 158,040,950 | 1.2912 | 901.01 |
| (O) | | | | | | | 5,211 | 538,100 | 0.9684 | 901.02 |
| Dieppe (I) | 53.82 | 3,191,436 | 3,781,892 | 345,258 | 3,436,634 | 1,389,531 | 2,043,620 | 208,244,600 | 0.9814 | 602.01 |
| (O) | | | | | | | 3,465 | 441,400 | 0.7850 | 602.02 |
| Grand Falls (I) | 58.37 | 1,887,941 | 2,271,159 | 206,254 | 2,064,905 | 898,914 | 1,128,451 | 120,175,850 | 0.9390 | 102.01 |
| (O) | | | | | | | 37,540 | 5,775,350 | 0.6500 | 102.02 |
| Hartland | 56.32 | 416,576 | 509,716 | 82,692 | 427,024 | 189,794 | 237,230 | 20,103,100 | 1.1801 | 200.00 |
| Lameque | 56.52 | 511,733 | 729,480 | 163,317 | 566,163 | 233,980 | 332,183 | 35,170,700 | 0.9445 | 805.00 |
| Nackawic (I) | 52.37 | 665,060 | 852,068 | 137,335 | 714,733 | 281,761 | 415,776 | 37,815,050 | 1.0995 | 302.01 |
| (O) | | | | | | | 17,196 | 1,954,100 | 0.8800 | 302.02 |
| Newcastle | 56.04 | 3,316,458 | 3,752,997 | 210,726 | 3,542,271 | 1,503,633 | 2,038,638 | 145,815,450 | 1.3981 | 750.00 |
| Oromocto (I) | 50.02 | 3,718,599 | 4,327,993 | 414,139 | 3,913,854 | 1,504,703 | 1,780,995 | 167,931,650 | 1.0605 | 301.01 |
| (O) | | | | | | | 628,156 | 79,781,600 | 0.7873 | 301.02 |
| Quispamsis | 59.71 | 1,233,264 | 1,675,820 | 231,170 | 1,444,650 | 593,341 | 851,309 | 110,961,100 | 0.7672 | 409.00 |
| Riverview | 58.55 | 4,689,224 | 5,495,795 | 484,597 | 5,011,198 | 2,221,179 | 2,790,019 | 271,539,900 | 1.0275 | 601.00 |
| Rothesay | 50.11 | 514,938 | 1,018,007 | 437,300 | 580,707 | 208,732 | 371,975 | 47,127,000 | 0.7893 | 400.00 |
| Sackville (I) | 53.28 | 2,293,127 | 2,706,394 | 207,105 | 2,499,289 | 988,427 | 1,420,862 | 138,407,800 | 1.0266 | 604.01 |
| (O) | | | | | | | 90,000 | 9,477,750 | 0.9496 | 604.02 |
| St. Andrews | 50.02 | 805,964 | 890,199 | 72,460 | 817,739 | 326,150 | 491,589 | 57,169,200 | 0.8599 | 502.00 |
| St. George | 53.92 | 416,950 | 593,249 | 102,721 | 490,528 | 181,892 | 308,636 | 29,730,850 | 1.0381 | 501.00 |
| St. Leonard | 68.79 | 440,442 | 529,757 | 79,699 | 450,058 | 245,129 | 204,929 | 17,912,400 | 1.1441 | 101.00 |
| St. Stephen | 58.99 | 2,046,601 | 2,320,684 | 225,821 | 2,094,863 | 976,727 | 1,118,136 | 98,516,800 | 1.1350 | 500.00 |
| Shediac | 60.54 | 1,596,971 | 2,199,129 | 413,536 | 1,785,593 | 782,129 | 1,003,464 | 80,243,400 | 1.2505 | 603.00 |
| Shippagan (I) | 52.13 | 1,156,583 | 1,645,627 | 273,358 | 1,372,269 | 487,743 | 837,467 | 66,995,150 | 1.2500 | 802.01 |
| (O) | | | | | | | 36,287 | 3,628,700 | 1.0000 | 802.02 |
| (Pt. Brule) | | | | | | | 10,772 | 1,436,250 | 0.7500 | 802.03 |
| Sussex | 52.57 | 1,679,839 | 2,080,500 | 293,500 | 1,787,000 | 714,454 | 1,072,546 | 102,308,650 | 1.0483 | 401.00 |
| Tracadie | 53.59 | 900,268 | 1,287,911 | 262,720 | 1,025,191 | 390,304 | 634,887 | 59,895,050 | 1.0600 | 801.00 |
| Woodstock (I) | 53.31 | 1,482,345 | 1,869,277 | 262,703 | 1,606,574 | 639,307 | 945,196 | 106,201,850 | 0.8900 | 201.01 |
| (O) | | | | | | | 22,071 | 2,982,550 | 0.7400 | 201.02 |
| Total Towns | | 41,221,219 | 50,331,482 | 5,973,666 | 44,357,816 | 18,632,545 | 25,725,252 | 2,435,129,400 | | |
| Total Cities & Towns | | 168,246,186 | 200,137,512 | 19,737,610 | 180,399,902 | 77,275,379 | 103,124,503 | 8,093,182,200 | | |

*Note: Grant is adjusted by using a factor of .809004
Note: Le montant de la subvention est calculé d'après un facteur de .809004

## MUNICIPAL GRANT CALCULATION — 1985 — CALCUL DES SUBVENTIONS AUX MUNICIPALITES

| | | | |
|---|---|---|---|
| Total population | 428,933 | Total de la population | 428,933 |
| Total assessment base | $8,546,862,000 | Total de la base d'évaluation | $8,546,862,000 |
| Total initial municipal grant base | $85,468,620 | Total de la base initiale de subvention municipale | $85,468,620 |
| Total road km for grant purposes | $3,395,639 | Total du nombre de km de chemin pour fins de subvention | $3,395,639 |
| Total partially adjusted municipal grant base | $106,810,778 | Total de la base de subvention municipale partiellement ajustée | $106,810,778 |
| Total graded population adjustment | $12,993,470 | Total de l'ajustement progressif suivant la population | $12,993,470 |
| Total fully adjusted municipal grant base | $119,804,248 | Total de la base de subvention municipale entièrement ajustée | $119,804,248 |
| Total municipal grant base for Province | $205,272,868 | Total de la base de subvention municipale pour la province | $205,272,868 |
| Overall municipal assessment per capita | $19,921 | Moyenne de l'évaluation municipale par tête | $19,921 |
| Overall assessment per road km | $2,516,422 | Ensemble de l'évaluation municipale par km de chemin | $2,516,422 |

Source: Annual Report of Municipal Statistics,
Volume 1, 1985, Municipal Services Branch,
Department of Municipal Affairs,
Province of New Brunswick.

# APPENDIX D

## DETAILED PROFILE OF CLASSES OF MUNICIPALITIES

| MUNICIPALITY | CLASS | 1981 POPULATION | 1981 AREA SQ.KM. | 1986 TOTAL RD KM | 1986 NET BUDGET | 1986 NET BUDGET PER CAPITA | 1986 MUNICIPAL ASSESSMENT BASE | 1986 TAX RATE DENOMINATOR |
|---|---|---|---|---|---|---|---|---|
| Fredericton | A | 43,723 | 128.91 | 290.527 | 25,268,973 | 577.93 | 1,364,180,300 | 1,547,135,800 |
| Moncton | A | 54,743 | 141.47 | 338.147 | 36,118,026 | 659.77 | 1,351,971,900 | 1,553,516,200 |
| Saint John | A | 80,521 | 322.71 | 492.856 | 62,148,224 | 771.83 | 1,872,447,100 | 2,251,793,750 |
| MINIMUM | | 43,723 | 128.91 | 290.527 | 25,268,973 | 577.93 | 1,351,971,900 | 1,547,135,800 |
| AVERAGE | | 59,662 | 197.70 | 373.843 | 41,178,408 | 690.19 | 1,529,533,100 | 1,784,148,583 |
| MAXIMUM | | 80,521 | 322.71 | 492.856 | 62,148,224 | 771.83 | 1,872,447,100 | 2,251,793,750 |
| TOTAL | | 178,987 | 593.09 | 1121.530 | 123,535,223 | | 4,588,599,300 | 5,352,445,750 |
| Bathurst | B | 15,705 | 90.99 | 140.417 | 9,008,853 | 573.63 | 371,921,400 | 420,266,250 |
| Campbellton | B | 9,818 | 17.59 | 62.295 | 5,135,629 | 523.08 | 177,180,500 | 193,239,450 |
| Chatham | B | 6,779 | 11.65 | 44.508 | 2,727,463 | 402.34 | 108,632,500 | 121,704,550 |
| Dalhousie | B | 5,707 | 13.62 | 43.856 | 3,629,755 | 636.02 | 137,664,300 | 167,405,250 |
| Dieppe | B | 8,511 | 47.60 | 71.997 | 3,848,670 | 452.20 | 195,513,600 | 223,990,850 |
| Edmundston | B | 12,044 | 34.89 | 73.852 | 7,033,993 | 584.02 | 312,616,300 | 354,919,650 |
| Newcastle | B | 6,284 | 14.09 | 57.272 | 3,898,407 | 620.37 | 151,090,600 | 176,332,200 |
| Oromocto | B | 9,064 | 22.26 | 59.853 | 4,219,079 | 465.48 | 249,762,400 | 280,820,650 |
| MINIMUM | | 5,707 | 11.65 | 43.856 | 2,727,463 | 402.34 | 108,632,500 | 121,704,550 |
| AVERAGE | | 9,239 | 31.59 | 69.256 | 4,937,731 | 532.14 | 213,047,700 | 242,334,856 |
| MAXIMUM | | 15,705 | 90.99 | 140.417 | 9,008,853 | 636.02 | 371,921,400 | 420,266,250 |
| TOTAL | | 73,912 | 252.69 | 554.050 | 39,501,849 | | 1,704,381,600 | 1,938,678,850 |
| Atholville | C | 1,694 | 10.15 | 17.003 | 799,167 | 471.76 | 47,267,800 | 59,364,750 |
| Beresford | C | 3,652 | 36.00 | 37.619 | 1,096,396 | 300.22 | 50,691,800 | 53,087,050 |
| Buctouche | C | 2,476 | 18.65 | 32.721 | 601,326 | 242.86 | 38,089,700 | 43,008,500 |
| Caraquet | C | 4,315 | 67.00 | 69.016 | 1,775,501 | 411.47 | 89,788,900 | 99,515,700 |
| Fairvale | C | 3,960 | 21.11 | 29.558 | 726,231 | 183.39 | 71,733,600 | 73,871,400 |
| Gondola Point | C | 3,076 | 2.28 | 35.634 | 654,121 | 212.65 | 62,277,600 | 62,431,200 |
| Grand Bay | C | 3,173 | 19.14 | 36.873 | 842,041 | 265.38 | 55,049,400 | 58,940,750 |
| Grand Falls | C | 6,203 | 17.73 | 64.265 | 2,248,703 | 362.52 | 122,305,300 | 134,805,500 |
| Hampton | C | 3,141 | 9.22 | 43.893 | 741,855 | 236.18 | 56,110,600 | 58,185,850 |
| Lameque | C | 1,571 | 5.90 | 18.831 | 595,221 | 378.88 | 33,288,600 | 37,600,400 |
| Nackawic | C | 1,357 | 9.19 | 18.764 | 744,189 | 548.41 | 36,477,400 | 43,956,850 |
| Quispamsis | C | 6,022 | 39.16 | 73.869 | 1,712,089 | 284.31 | 129,183,200 | 131,390,200 |
| Richibucto | C | 1,722 | 11.40 | 17.384 | 576,967 | 335.06 | 24,769,100 | 29,016,550 |
| Riverview | C | 14,907 | 35.46 | 95.178 | 5,356,728 | 359.34 | 293,271,700 | 304,649,350 |
| Rothesay | C | 1,764 | 6.35 | 21.408 | 641,133 | 363.45 | 55,389,300 | 56,132,400 |
| Sackville | C | 5,654 | 74.80 | 90.152 | 2,774,545 | 490.72 | 159,716,600 | 164,951,800 |
| Shediac | C | 4,285 | 11.19 | 46.241 | 1,902,253 | 443.93 | 80,461,200 | 88,669,400 |
| Shippagan | C | 2,803 | 7.95 | 22.812 | 1,457,998 | 520.16 | 67,239,100 | 77,249,600 |
| St Andrews | C | 1,760 | 8.39 | 31.517 | 875,143 | 497.24 | 58,111,700 | 63,100,400 |
| St Basile | C | 3,214 | 21.91 | 33.798 | 1,055,758 | 328.49 | 64,387,500 | 70,706,800 |
| St George | C | 1,163 | 14.17 | 21.274 | 536,742 | 461.52 | 28,976,600 | 30,705,500 |
| St Stephen | C | 5,120 | 10.85 | 44.552 | 2,276,586 | 444.65 | 93,450,200 | 105,483,900 |
| Sussex | C | 3,972 | 8.64 | 36.202 | 1,840,500 | 463.37 | 96,690,000 | 109,697,300 |
| Tracadie | C | 2,452 | 4.90 | 25.015 | 1,078,480 | 439.84 | 56,097,800 | 63,176,300 |
| Woodstock | C | 4,649 | 10.84 | 40.974 | 1,711,105 | 368.06 | 112,402,300 | 121,366,750 |
| MINIMUM | | 1,163 | 2.28 | 17.003 | 536,742 | 183.39 | 24,769,100 | 29,016,550 |
| AVERAGE | | 3,764 | 19.30 | 40.182 | 1,384,831 | 376.55 | 79,329,080 | 85,642,568 |
| MAXIMUM | | 14,907 | 74.80 | 95.178 | 5,356,728 | 548.41 | 293,271,700 | 304,649,350 |
| TOTAL | | 94,105 | 482.38 | 1004.553 | 34,620,778 | | 1,983,227,000 | 2,141,064,200 |

## APPENDIX D - continued

| MUNICIPALITY | CLASS | 1981 POPULATION | 1981 AREA SQ.KM. | 1986 TOTAL RD KM | 1986 NET BUDGET | 1986 NET BUDGET PER CAPITA | 1986 MUNICIPAL ASSESSMENT BASE | 1986 TAX RATE DENOMINATOR |
|---|---|---|---|---|---|---|---|---|
| Alma | D | 329 | 47.76 | 22.833 | 63,316 | 192.45 | 4,791,000 | 5,088,700 |
| Aroostock | D | 403 | 2.18 | 5.009 | 101,116 | 250.91 | 4,775,300 | 4,813,650 |
| Baker Brook | D | 527 | 6.24 | 7.773 | 153,014 | 290.35 | 6,435,700 | 6,654,300 |
| Balmoral | D | 1,823 | 43.40 | 26.942 | 495,956 | 272.05 | 23,216,800 | 23,732,350 |
| Bas-Caraquet | D | 1,859 | 31.75 | 26.410 | 563,314 | 303.02 | 17,628,100 | 19,365,950 |
| Bath | D | 794 | 2.25 | 9.028 | 140,999 | 177.58 | 11,488,000 | 11,980,950 |
| Belledune | D | 690 | 26.91 | 20.054 | 296,021 | 429.02 | 31,288,800 | 43,338,100 |
| Bertrand | D | 1,270 | 41.34 | 30.565 | 309,803 | 243.94 | 13,549,600 | 14,314,400 |
| Blacks Harbour | D | 1,356 | 9.01 | 15.784 | 531,014 | 391.60 | 17,499,200 | 21,173,500 |
| Blackville | D | 892 | 22.97 | 27.844 | 255,874 | 286.85 | 13,637,600 | 14,390,700 |
| Bristol | D | 824 | 7.72 | 14.048 | 143,189 | 173.77 | 20,408,200 | 21,054,200 |
| Cambridge-Narrows | D | 433 | 109.63 | 64.978 | 91,592 | 211.53 | 12,212,200 | 12,420,800 |
| Canterbury | D | 474 | 4.48 | 8.371 | 74,332 | 156.82 | 4,794,900 | 4,976,100 |
| Cap-Pele | D | 2,199 | 23.62 | 32.765 | 532,880 | 242.33 | 30,566,200 | 32,406,150 |
| Centreville | D | 589 | 2.56 | 10.600 | 136,006 | 230.91 | 10,488,300 | 11,381,100 |
| Charlo | D | 1,603 | 30.96 | 45.687 | 503,576 | 314.15 | 22,755,800 | 24,487,250 |
| Chipman | D | 1,829 | 19.11 | 24.324 | 433,562 | 237.05 | 21,935,000 | 23,444,600 |
| Clair | D | 926 | 5.85 | 11.032 | 270,011 | 291.59 | 14,953,300 | 16,597,750 |
| Doaktown | D | 1,009 | 26.62 | 27.229 | 247,538 | 245.33 | 13,536,600 | 14,943,550 |
| Dorchester | D | 1,101 | 5.26 | 10.630 | 264,442 | 240.18 | 10,812,600 | 13,561,300 |
| Douglastown | D | 1,091 | 10.09 | 15.814 | 501,412 | 459.59 | 23,754,000 | 28,170,450 |
| Drummond | D | 849 | 8.94 | 9.372 | 196,137 | 231.02 | 16,055,800 | 16,520,900 |
| East Riverside | D | 989 | 4.20 | 8.987 | 320,961 | 324.53 | 27,643,600 | 27,901,050 |
| Eel River Crossing | D | 1,431 | 17.38 | 16.677 | 343,424 | 239.99 | 12,688,600 | 13,108,900 |
| Florenceville | D | 709 | 6.76 | 17.054 | 292,921 | 413.15 | 26,280,900 | 31,814,000 |
| Fredericton Junctio | D | 711 | 24.22 | 21.382 | 240,772 | 338.64 | 10,964,400 | 11,389,650 |
| Gagetown | D | 618 | 46.96 | 37.162 | 155,542 | 251.69 | 8,838,400 | 9,143,650 |
| Grand Harbour | D | 614 | 41.83 | 19.744 | 126,107 | 205.39 | 10,643,900 | 11,626,650 |
| Grande Anse | D | 817 | 17.22 | 19.841 | 265,541 | 325.02 | 11,208,500 | 12,237,950 |
| Hartland | D | 846 | 9.43 | 13.959 | 465,447 | 550.17 | 20,205,100 | 22,722,900 |
| Harvey | D | 356 | 2.25 | 5.190 | 80,741 | 226.80 | 7,055,300 | 7,280,850 |
| Hillsborough | D | 1,239 | 13.83 | 22.471 | 339,496 | 274.01 | 17,225,600 | 17,942,800 |
| Jacquet River | D | 937 | 8.94 | 16.930 | 191,049 | 203.89 | 11,814,600 | 12,376,300 |
| Kedgwick | D | 1,222 | 4.27 | 10.818 | 365,199 | 298.85 | 16,501,600 | 17,212,950 |
| Lac Baker | D | 292 | 4.27 | 7.706 | 68,635 | 235.05 | 2,284,900 | 2,346,050 |
| Loggieville | D | 781 | 12.54 | 17.430 | 212,717 | 272.36 | 8,112,300 | 8,259,250 |
| McAdam | D | 1,857 | 14.01 | 21.592 | 521,491 | 280.82 | 20,761,700 | 22,110,500 |
| Meductic | D | 242 | 4.51 | 4.524 | 36,432 | 150.55 | 3,048,600 | 3,396,900 |
| Millville | D | 309 | 9.69 | 7.486 | 39,727 | 128.57 | 3,330,500 | 3,476,150 |
| Minto | D | 3,399 | 31.68 | 45.863 | 802,913 | 236.22 | 42,806,200 | 45,520,700 |
| Neguac | D | 1,755 | 26.11 | 48.207 | 388,458 | 221.34 | 21,487,800 | 23,005,500 |
| Nelson Miramichi | D | 1,452 | 27.07 | 24.693 | 380,407 | 261.99 | 18,839,700 | 22,258,100 |
| Nigadoo | D | 1,075 | 8.81 | 13.325 | 255,539 | 237.71 | 9,605,100 | 10,110,650 |
| North Head | D | 661 | 24.48 | 12.400 | 127,799 | 193.34 | 11,289,500 | 12,051,800 |
| Norton | D | 1,372 | 89.41 | 72.055 | 295,984 | 215.73 | 15,289,900 | 15,600,800 |
| Paquetville | D | 626 | 9.04 | 10.754 | 209,140 | 334.09 | 13,389,400 | 14,611,650 |
| Perth-Andover | D | 1,872 | 10.20 | 24.584 | 535,112 | 285.85 | 40,002,000 | 42,083,000 |
| Petit-Rocher | D | 1,860 | 4.51 | 18.764 | 640,669 | 344.45 | 31,208,800 | 33,210,650 |
| Petitcodiac | D | 1,401 | 15.85 | 24.188 | 523,723 | 373.82 | 26,620,700 | 27,996,700 |
| Plaster Rock | D | 1,229 | 2.20 | 14.283 | 409,238 | 332.98 | 23,685,800 | 25,635,650 |
| Pointe-Verte | D | 1,335 | 13.81 | 16.002 | 284,116 | 212.82 | 9,658,600 | 9,832,400 |

## APPENDIX D - continued

| MUNICIPALITY | CLASS | 1981 POPULATION | 1981 AREA SQ.KM. | 1986 TOTAL RD KM | 1986 NET BUDGET | 1986 NET BUDGET PER CAPITA | 1986 MUNICIPAL ASSESSMENT BASE | 1986 TAX RATE DENOMINATOR |
|---|---|---|---|---|---|---|---|---|
| Port Elgin | D | 504 | 2.59 | 7.724 | 232,310 | 460.93 | 9,852,100 | 10,383,100 |
| Renforth | D | 1,490 | 2.51 | 14.268 | 423,821 | 284.44 | 34,707,200 | 34,789,600 |
| Rexton | D | 928 | 5.18 | 15.361 | 256,541 | 276.45 | 15,870,400 | 16,741,650 |
| Riverside-Albert | D | 478 | 3.60 | 9.099 | 105,083 | 219.84 | 5,122,500 | 5,328,700 |
| Riviere-Verte | D | 1,054 | 6.94 | 8.293 | 210,953 | 200.15 | 13,168,400 | 13,591,250 |
| Rogersville | D | 1,237 | 7.23 | 14.746 | 355,807 | 287.64 | 14,725,800 | 15,857,200 |
| Salisbury | D | 1,672 | 10.28 | 20.695 | 360,637 | 215.69 | 33,103,000 | 34,137,750 |
| Seal Cove | D | 548 | 42.68 | 16.570 | 103,193 | 188.31 | 6,844,900 | 7,263,300 |
| Sheila | D | 1,172 | 8.08 | 16.200 | 352,371 | 300.66 | 16,993,600 | 17,886,700 |
| St Andre | D | 385 | 3.38 | 4.779 | 115,843 | 300.89 | 6,613,800 | 6,947,000 |
| St Antoine | D | 1,217 | 6.16 | 15.277 | 292,664 | 240.48 | 15,466,700 | 16,214,050 |
| St Francois | D | 753 | 6.01 | 8.225 | 226,442 | 300.72 | 10,326,700 | 11,692,000 |
| St Hilaire | D | 244 | 5.62 | 6.340 | 115,485 | 473.30 | 9,783,800 | 13,374,800 |
| St Jacques | D | 2,297 | 19.00 | 18.791 | 447,761 | 194.93 | 35,556,100 | 38,341,300 |
| St Joseph | D | 630 | 8.96 | 11.167 | 353,845 | 561.66 | 15,027,800 | 15,256,250 |
| St Leolin | D | 799 | 19.01 | 12.736 | 162,181 | 202.98 | 5,912,000 | 6,012,700 |
| St Leonard | D | 1,566 | 5.05 | 10.441 | 479,878 | 306.44 | 18,521,800 | 20,086,800 |
| St Louis | D | 1,166 | 1.99 | 7.667 | 439,697 | 377.10 | 20,723,300 | 21,398,000 |
| St Martins | D | 530 | 2.28 | 5.449 | 89,236 | 168.37 | 5,854,400 | 5,966,350 |
| St Quentin | D | 2,334 | 3.63 | 16.366 | 569,007 | 243.79 | 38,562,100 | 40,747,850 |
| Stanley | D | 432 | 17.82 | 16.750 | 85,051 | 196.88 | 8,914,400 | 9,422,200 |
| Ste Anne | D | 1,332 | 4.51 | 14.362 | 316,896 | 237.91 | 16,964,300 | 17,784,250 |
| Sussex Corner | D | 1,023 | 8.03 | 12.423 | 191,921 | 187.61 | 20,610,900 | 21,086,650 |
| Tide Head | D | 952 | 17.90 | 14.547 | 269,658 | 283.25 | 16,768,600 | 17,220,050 |
| Tracy | D | 636 | 29.11 | 19.344 | 101,796 | 160.06 | 5,762,600 | 5,855,200 |
| Verret | D | 637 | 13.26 | 12.856 | 109,064 | 171.22 | 6,370,400 | 6,697,300 |
| Westfield | D | 1,100 | 37.04 | 21.621 | 247,732 | 225.21 | 24,584,200 | 24,975,450 |
| MINIMUM | | 242 | 1.99 | 4.524 | 36,432 | 128.57 | 2,284,900 | 2,346,050 |
| AVERAGE | | 1,051 | 16.56 | 18.119 | 285,119 | 270.63 | 16,176,754 | 17,386,491 |
| MAXIMUM | | 3,399 | 109.63 | 72.055 | 802,913 | 561.66 | 42,806,200 | 45,520,700 |
| TOTAL | | 81,993 | 1291.98 | 1413.260 | 22,239,277 | | 1,261,786,800 | 1,356,146,300 |
| OVERALL MINIMUM | | 242 | 1.99 | 4.524 | 36,432 | 128.57 | 2,284,900 | 2,346,050 |
| OVERALL AVERAGE | | 3,763 | 22.98 | 35.907 | 1,928,922 | 771.83 | 83,666,620 | 94,634,518 |
| OVERALL MAXIMUM | | 80,521 | 322.71 | 492.856 | 62,148,224 | 322.71 | 1,872,447,100 | 2,251,793,750 |
| OVERALL TOTAL | | 428,997 | 2620.14 | 4093.393 | 215,994,138 | | 9,537,994,700 | 10,788,335,100 |

# APPENDIX E
## UNCONDITIONAL GRANT CALCULATION PROPOSED FORMULA

| MUNICIPALITY | TYPE | CLASS | POPULATION | ASSESSMENT ALLOCATION: ASSESSMENT BASE (TAX RATE DENOMINATOR) | ASSESSMENT PER CAPITA (COL 3/ COL 2) | INTERMEDIATE GRANT BASE (COL 4 LESS ... % ASSESSMENT P.C. MUNICIPAL ASSESSMENT P.C. |
|---|---|---|---|---|---|---|
| COL #1 | | | COL #2 | COL #3 | COL #4 | COL #5 |
| Fredericton | C | A | 43,723 | 1,547,135,800 | 35,385 | 1,307,497,112 |
| Moncton | C | A | 54,742 | 1,553,516,200 | 28,378 | 1,437,040,332 |
| Saint John | C | A | 80,521 | 2,251,797,750 | 27,965 | 2,407,908,308 |
| | | | 178,987 | 5,352,445,750 | 29,904 | |
| Bathurst | C | B | 15,705 | 420,266,250 | 26,760 | 411,975,157 |
| Campbellton | C | B | 9,818 | 193,239,450 | 19,682 | 257,521,768 |
| Chatham | T | B | 6,779 | 121,704,550 | 17,952 | 177,811,152 |
| Dalhousie | T | B | 5,707 | 167,405,250 | 29,331 | 149,692,069 |
| Dieppe | T | B | 8,511 | 223,990,850 | 26,318 | 221,239,749 |
| Edmundston | C | B | 12,044 | 354,919,650 | 29,469 | 315,908,757 |
| Newcastle | T | B | 6,284 | 176,332,200 | 28,061 | 164,826,522 |
| Dromocto | T | B | 9,064 | 280,820,650 | 30,982 | 277,744,684 |
| | | | 73,912 | 1,938,678,850 | 26,230 | |
| Atholville | V | C | 1,694 | 59,364,750 | 35,044 | 38,541,658 |
| Beresford | T | C | 2,652 | 53,087,050 | 14,536 | 87,089,809 |
| Bouctouche | T | C | 2,476 | 42,008,500 | 17,370 | 56,333,616 |
| Caraquet | T | C | 4,315 | 93,515,700 | 21,667 | 98,174,295 |
| Fairvale | V | C | 3,960 | 73,871,400 | 18,654 | 90,097,383 |
| Gondola Point | V | C | 3,078 | 62,431,200 | 20,296 | 69,984,775 |
| Grand Bay | V | C | 3,177 | 58,940,750 | 18,576 | 72,191,666 |
| Grand Falls | T | C | 6,203 | 134,805,500 | 21,732 | 141,119,815 |
| Hamotor | V | C | 3,141 | 58,185,850 | 18,525 | 71,463,606 |
| Lameque | T | C | 1,571 | 37,600,400 | 23,934 | 35,743,179 |
| Nackawic | T | C | 1,351 | 47,956,850 | 32,292 | 36,874,280 |
| Quispamsis | T | C | 6,022 | 131,390,200 | 21,818 | 137,011,727 |
| Richibucto | T | C | 1,722 | 29,016,550 | 16,850 | 39,178,711 |
| Riverview | T | C | 14,907 | 304,649,750 | 20,437 | 339,162,943 |
| Rothesay | T | C | 1,764 | 56,132,400 | 31,821 | 40,134,289 |
| Sackville | T | C | 5,654 | 164,951,800 | 29,174 | 128,639,041 |
| Shediac | T | C | 4,285 | 88,669,400 | 20,693 | 97,491,739 |
| Shippagan | T | C | 2,802 | 77,249,600 | 27,560 | 63,773,476 |
| St Andrews | T | C | 1,760 | 63,100,400 | 35,853 | 40,043,281 |
| St Basile | V | C | 3,214 | 70,706,800 | 22,000 | 73,124,492 |
| St George | T | C | 1,162 | 30,705,500 | 26,422 | 26,460,418 |
| St Stephen | T | C | 5,120 | 105,483,900 | 20,602 | 116,489,546 |
| Sussex | T | C | 3,972 | 109,692,300 | 27,618 | 90,370,405 |
| Tracadie | T | C | 2,452 | 67,176,300 | 25,765 | 55,787,572 |
| Woodstock | T | C | 4,649 | 121,366,750 | 26,106 | 105,773,418 |
| | | | 94,105 | 2,141,064,200 | 22,752 | |

## APPENDIX E - continued

| | | | | ASSESSMENT ALLOCATION | | | |
|---|---|---|---|---|---|---|---|
| MUNICIPALITY | TYPE | CLASS | POPULATION | ASSESSMENT BASE TAX RATE DENOMINATOR | ASSESSMENT PER CAPITA | INTERMEDIATE GRANT BASE | |
| | | | | | (COL 3/ COL 2) | (COL 4*OVERALL ASSESSMENT P.C. (MUNICIPAL ASSESSMENT P.C.) | |
| COL #1 | | | COL #2 | COL #3 | COL #4 | COL #5 | |
| Alma | V | D | 739 | 5,088,700 | 15,467 | 5,441,588 | |
| Arpostook | V | D | 607 | 4,817,650 | 11,945 | 5,665,532 | |
| Baker Brook | V | D | 527 | 6,654,300 | 12,627 | 6,716,469 | |
| Balmoral | V | D | 1,867 | 23,738,750 | 17,018 | 24,152,022 | |
| Bas-Caraquet | V | D | 1,859 | 19,365,950 | 10,417 | 20,747,454 | |
| Bath | V | D | 794 | 11,980,950 | 15,089 | 12,232,586 | |
| Belledune | V | D | 690 | 42,738,100 | 62,809 | 11,413,449 | |
| Bertrand | V | D | 1,270 | 14,314,400 | 11,271 | 21,305,532 | |
| Blacks Harbour | V | D | 1,356 | 21,177,500 | 15,615 | 23,427,944 | |
| Blackville | V | D | 892 | 14,390,700 | 16,137 | 14,751,485 | |
| Bristol | V | D | 824 | 21,054,200 | 25,551 | 13,628,790 | |
| Cambridge-Narrows | V | D | 433 | 12,420,800 | 28,685 | 7,161,725 | |
| Canterbury | V | D | 474 | 4,976,100 | 10,498 | 7,839,856 | |
| Cap-Pele | | D | 2,199 | 32,406,150 | 14,737 | 26,370,979 | |
| Centreville | V | D | 589 | 11,381,100 | 19,323 | 9,741,931 | |
| Charlo | V | D | 1,607 | 24,487,250 | 15,276 | 26,513,270 | |
| Chipman | V | D | 1,829 | 23,444,600 | 12,818 | 39,211,260 | |
| Clair | V | D | 926 | 16,597,750 | 17,924 | 15,315,378 | |
| Doaktown | V | D | 1,009 | 14,947,550 | 14,810 | 16,680,423 | |
| Dorchester | V | D | 1,101 | 13,561,700 | 12,317 | 18,210,299 | |
| Douglastown | | D | 1,091 | 28,170,450 | 25,821 | 13,044,902 | |
| Drummond | V | D | 844 | 16,520,900 | 19,459 | 14,042,274 | |
| East Riverside | V | D | 489 | 27,901,050 | 28,211 | 16,357,849 | |
| Eel River Crossing | V | D | 1,471 | 108,500 | 9,161 | 22,668,427 | |
| Florenceville | V | D | 1,119 | 31,814,000 | 44,872 | 11,726,705 | |
| Gagetown | V | D | 611 | 11,389,650 | 16,019 | 11,759,789 | |
| Gaspetown | V | D | 618 | 9,147,650 | 14,796 | 10,221,585 | |
| Grand Harbour | V | D | 614 | 11,626,650 | 18,936 | 10,155,426 | |
| Grande Anse | V | D | 817 | 12,137,950 | 14,979 | 13,517,913 | |
| Hartland | V | D | 946 | 22,722,900 | 26,859 | 13,992,655 | |
| Harvey | V | D | 356 | 7,280,850 | 20,452 | 5,888,162 | |
| Hillsborough | V | D | 1,229 | 17,942,800 | 14,482 | 20,492,789 | |
| Jacquet River | V | D | 997 | 12,576,300 | 13,208 | 15,497,775 | |
| Kedgwick | V | D | 1,222 | 17,212,950 | 14,086 | 20,211,612 | |
| Lac Baker | V | D | 292 | 2,346,050 | 8,034 | 4,829,616 | |
| Loggieville | V | D | 701 | 8,259,250 | 10,575 | 12,917,569 | |
| McAdam | V | D | 1,851 | 22,110,500 | 11,907 | 30,714,374 | |
| Meductic | V | D | 454 | 3,396,900 | 14,037 | 4,002,627 | |
| Millville | V | D | 309 | 3,476,150 | 11,250 | 5,140,792 | |
| Minto | V | D | 2,799 | 45,520,700 | 17,392 | 56,216,717 | |
| Nelson | | D | 1,655 | 22,905,500 | 17,184 | 29,027,716 | |
| Nelson Miramichi | V | D | 1,452 | 22,258,100 | 15,329 | 24,015,767 | |
| Nigadoo | V | D | 1,015 | 10,110,650 | 9,405 | 17,780,265 | |

## APPENDIX E - continued

| | | | | ASSESSMENT ALLOCATION | | |
|---|---|---|---|---|---|---|
| | | | | ASSESSMENT BASE (TAX RATE DENOMINATOR) | | INTERMEDIATE GRANT BASE |
| MUNICIPALITY | TYPE | CLASS | POPULATION | | ASSESSMENT PER CAPITA (COL 3/ COL 2) | (COL 4)OVERALL ASSESSMENT P.U. /MUNICIPAL ASSESSMENT P.U.) |
| COL #1 | | | COL #2 | COL #3 | COL #4 | COL #5 |
| North Head | V | D | 661 | 12,151,300 | 18,233 | 10,931,796 |
| Norton | V | D | 1,372 | 25,609,500 | 11,371 | 22,692,580 |
| Paquetville | V | D | 626 | 14,631,650 | 23,341 | 11,353,903 |
| Perth-Andover | V | D | 1,872 | 42,047,000 | 22,480 | 30,962,471 |
| Petit-Rocher | V | D | 1,869 | 33,210,150 | 17,855 | 30,767,997 |
| Petitcodiac | V | D | 1,401 | 27,996,700 | 19,980 | 23,172,224 |
| Plaster Rock | V | D | 1,229 | 25,635,650 | 20,859 | 20,327,191 |
| Pointe-Verte | V | D | 1,335 | 9,632,400 | 7,216 | 22,080,605 |
| Port Elgin | V | D | 504 | 10,287,100 | 20,601 | 8,336,450 |
| Renforth | V | D | 1,440 | 34,785,500 | 23,349 | 24,644,274 |
| Rexton | V | D | 928 | 16,741,650 | 18,041 | 15,348,917 |
| Riverside-Albert | V | D | 478 | 5,329,300 | 11,148 | 7,906,016 |
| Riviere-Verte | V | D | 1,054 | 17,991,250 | 17,075 | 17,432,630 |
| Rogersville | V | D | 1,277 | 15,357,200 | 12,819 | 20,459,710 |
| Salisbury | V | D | 1,672 | 34,177,750 | 20,437 | 27,654,515 |
| Seal Cove | V | D | 548 | 7,262,300 | 13,254 | 4,067,800 |
| Shediac | V | D | 1,172 | 17,986,700 | 15,262 | 19,384,624 |
| St Andre | V | D | 385 | 6,947,000 | 18,044 | 6,367,816 |
| St Antoine | V | D | 1,217 | 16,214,050 | 13,323 | 20,128,914 |
| St Francois | V | D | 757 | 11,692,000 | 15,527 | 1,454,455 |
| St Hilaire | V | D | 244 | 13,274,800 | 54,815 | 4,035,707 |
| St Jacques | V | D | 2,297 | 38,341,300 | 16,692 | 37,991,878 |
| St Joseph | V | D | 670 | 15,256,250 | 24,216 | 10,420,962 |
| St Leolin | V | D | 794 | 6,011,700 | 7,525 | 12,265,285 |
| St Leonard | V | D | 1,566 | 20,086,300 | 12,827 | 25,701,298 |
| St Louis | V | D | 1,166 | 21,738,000 | 18,752 | 19,285,385 |
| St Martins | V | D | 530 | 5,966,350 | 11,257 | 8,765,084 |
| St Quentin | V | D | 2,734 | 48,747,850 | 17,456 | 38,607,250 |
| Stanley | V | D | 432 | 9,422,260 | 21,811 | 7,145,185 |
| Ste Anne | V | D | 1,322 | 17,734,250 | 13,352 | 22,030,989 |
| Sussex Corner | V | D | 1,922 | 31,086,650 | 20,617 | 16,920,196 |
| Tide Head | V | D | 949 | 17,228,050 | 18,097 | 15,745,872 |
| Tracy | V | D | 636 | 5,855,200 | 9,206 | 10,519,701 |
| Verret | V | D | 637 | 6,697,300 | 10,514 | 10,535,641 |
| Westfield | V | D | 1,100 | 24,975,450 | 22,705 | 16,193,760 |
| | | | 81,993 | 1,356,146,700 | 16,540 | |
| | | | 428,997 | 10,788,335,100 | 25,148 | |

## APPENDIX E - continued

DENSITY ALLOCATION

| MUNICIPALITY | TYPE | CLASS | TOTAL RD KM | ASSESSMENT PER RD KM | INTERMEDIATE GRANT BASE |
|---|---|---|---|---|---|
| | | | | (COL 3/ COL 6) | (COL 7*OVERALL ASSESSMENT PER KM /MUNICIPAL ASSESSMENT PER KM) |
| COL #1 | | | COL #6 | COL #7 | COL #8 |
| Fredericton | C | A | 290.527 | 5,325,274 | 1,386,525,556 |
| Moncton | C | A | 338.147 | 4,594,204 | 1,613,789,620 |
| Saint John | C | A | 492.856 | 4,568,867 | 2,352,130,574 |
| | | | 1121.530 | 4,772,450 | |
| Bathurst | C | B | 140.417 | 2,992,987 | 491,333,757 |
| Campbellton | C | B | 62.295 | 3,102,006 | 217,976,715 |
| Chatham | T | B | 44.508 | 2,734,442 | 155,738,143 |
| Dalhousie | T | C | 43.956 | 3,817,157 | 153,456,727 |
| Dieppe | T | B | 71.997 | 3,111,114 | 251,935,027 |
| Edmundston | C | B | 73.852 | 4,805,823 | 258,415,866 |
| Newcastle | T | B | 57.232 | 3,078,859 | 200,400,712 |
| Oromocto | T | B | 59.853 | 4,671,839 | 209,431,902 |
| | | | 554.050 | 3,499,105 | |
| Atholville | V | C | 17.003 | 3,481,428 | 56,239,516 |
| Beresford | T | C | 37.619 | 1,411,177 | 80,179,636 |
| Buctouche | T | C | 32.721 | 1,314,401 | 69,740,234 |
| Caraquet | T | C | 69.016 | 1,441,922 | 147,097,350 |
| Fairvale | V | C | 29.558 | 2,469,202 | 62,998,742 |
| Gondola Point | V | C | 35.634 | 1,752,012 | 75,948,826 |
| Grand Bay | V | C | 36.873 | 1,598,480 | 78,585,642 |
| Grand Falls | T | C | 64.265 | 2,097,650 | 136,971,858 |
| Hampton | V | C | 43.893 | 1,325,629 | 93,551,760 |
| Lameque | T | C | 18.831 | 1,996,729 | 40,135,642 |
| Nackawic | T | C | 15.764 | 2,342,616 | 29,992,841 |
| Quispamsis | T | C | 93.969 | 1,778,692 | 157,441,441 |
| Richibucto | T | C | 17.384 | 1,669,152 | 37,051,564 |
| Riverview | T | C | 95.178 | 3,200,838 | 202,858,593 |
| Rothesay | T | C | 21.408 | 2,622,029 | 45,628,157 |
| Sackville | T | C | 90.152 | 1,829,708 | 192,146,377 |
| Shediac | T | C | 46.241 | 1,917,549 | 98,556,223 |
| Shippagan | T | C | 22.812 | 3,786,358 | 48,620,587 |
| St Andrews | T | C | 31.517 | 2,002,107 | 67,174,077 |
| St Basile | V | C | 33.798 | 2,092,041 | 72,035,709 |
| St George | T | C | 21.274 | 1,443,335 | 45,342,555 |
| St Stephen | T | C | 44.552 | 2,367,656 | 94,956,356 |
| Sussex | T | C | 36.202 | 3,030,145 | 77,159,499 |
| Tracadie | T | C | 25.015 | 2,525,537 | 53,315,973 |
| Woodstock | T | C | 40.974 | 2,962,043 | 87,330,349 |
| | | | 1004.557 | 2,131,360 | |

## APPENDIX E - continued

DENSITY ALLOCATION

| MUNICIPALITY | TYPE | CLASS | TOTAL RD KM | ASSESSMENT PER RD KM | INTERMEDIATE GRANT BASE |
|---|---|---|---|---|---|
| | | | | (COL 3/ COL 6) | (COL 7*OVERALL ASSESSMENT PER KM /MUNICIPAL ASSESSMENT PER KM) |
| COL #1 | | | COL #6 | COL #7 | COL #8 |
| Alma | V | D | 22.833 | 322,866 | 21,910,256 |
| Aroostook | V | D | 5.009 | 961,000 | 4,866,577 |
| Baker Brook | V | D | 7.773 | 858,079 | 7,458,872 |
| Balmoral | V | D | 26.942 | 880,868 | 25,853,200 |
| Bas-Caraquet | V | D | 26.410 | 773,281 | 25,342,700 |
| Bath | V | D | 9.029 | 1,327,088 | 8,663,154 |
| Belledune | V | D | 20.054 | 2,161,070 | 19,243,563 |
| Bertrand | V | D | 30.565 | 468,327 | 29,329,785 |
| Blacks Harbour | V | D | 15.784 | 1,341,483 | 15,146,415 |
| Blackville | V | D | 27.844 | 516,833 | 26,718,848 |
| Bristol | V | D | 14.048 | 1,498,732 | 13,480,382 |
| Cambridge-Narrows | V | D | 64.978 | 191,154 | 62,352,061 |
| Canterbury | V | D | 8.371 | 594,445 | 8,032,795 |
| Cap-Pele | V | D | 32.765 | 988,048 | 31,440,877 |
| Centreville | V | D | 10.660 | 1,077,689 | 10,171,625 |
| Charlo | V | D | 45.687 | 535,979 | 42,840,663 |
| Chipman | V | D | 24.324 | 963,846 | 23,341,001 |
| Clair | V | D | 11.032 | 1,504,510 | 10,586,167 |
| Doaktown | V | D | 27.229 | 548,810 | 26,128,602 |
| Dorchester | V | D | 10.630 | 1,275,757 | 10,200,417 |
| Douglastown | V | D | 15.814 | 1,781,361 | 15,174,913 |
| Drummond | V | D | 9.372 | 1,762,797 | 8,993,252 |
| East Riverside | V | D | 8.987 | 7,104,601 | 8,623,811 |
| Eel River Crossing | V | D | 16.677 | 786,047 | 16,003,037 |
| Florenceville | V | D | 17.054 | 1,865,484 | 16,364,801 |
| Fredericton Junctio | V | D | 21.382 | 532,675 | 20,517,895 |
| Gagetown | V | D | 37.162 | 246,048 | 35,660,182 |
| Grand Harbour | V | D | 19.744 | 588,870 | 18,946,091 |
| Grande Anse | V | D | 19.841 | 616,801 | 19,039,171 |
| Hartland | T | D | 13.959 | 1,627,832 | 13,394,879 |
| Harvey | V | D | 5.150 | 1,402,861 | 4,980,258 |
| Hillsborough | V | D | 22.471 | 798,487 | 21,562,985 |
| Jacquet River | V | D | 16.930 | 731,029 | 16,245,812 |
| Hedgwick | V | D | 10.818 | 1,591,140 | 10,380,815 |
| Lac Baker | V | D | 7.706 | 204,445 | 7,394,579 |
| Loggieville | V | D | 17.430 | 473,852 | 16,725,606 |
| McAdam | V | D | 21.592 | 1,324,014 | 20,719,408 |
| Meductic | V | D | 4.524 | 750,362 | 4,341,173 |
| Millville | V | D | 7.486 | 464,353 | 7,183,470 |
| Minto | V | D | 45.863 | 992,536 | 44,009,551 |
| Nequac | V | D | 48.207 | 477,227 | 46,258,823 |
| Nelson Miramichi | V | D | 24.693 | 901,393 | 23,695,088 |
| Nigadoo | V | D | 13.325 | 758,773 | 12,786,500 |

## APPENDIX E - continued

DENSITY ALLOCATION

| MUNICIPALITY | TYPE | CLASS | TOTAL RD KM | ASSESSMENT PER RD KM | INTERMEDIATE GRANT BASE |
|---|---|---|---|---|---|
| | | | | (COL 3/ COL 6) | (COL 7*OVERALL ASSESSMENT PER KM (MUNICIPAL ASSESSMENT PER KM) |
| COL #1 | | | COL #6 | COL #7 | COL #8 |
| North Head | V | D | 12.400 | 971,919 | 11,898,882 |
| Norton | V | D | 72.055 | 216,512 | 69,143,360 |
| Paquetville | V | D | 10.754 | 1,358,718 | 10,319,401 |
| Perth-Andover | V | D | 24.584 | 1,711,804 | 23,590,493 |
| Petit-Rocher | V | D | 18.764 | 1,769,913 | 15,003,695 |
| Petitcodiac | V | D | 24.188 | 1,157,462 | 23,210,497 |
| Plaster Rock | V | D | 14.283 | 1,794,837 | 13,705,785 |
| Pointe-Verte | V | D | 16.402 | 814,448 | 15,355,315 |
| Port Elgin | V | D | 7.724 | 1,344,265 | 7,411,852 |
| Renforth | V | D | 14.268 | 2,438,295 | 13,691,391 |
| Rexton | V | D | 15.361 | 1,089,860 | 14,740,220 |
| Riverside-Albert | V | D | 9.099 | 585,636 | 8,731,285 |
| Riviere-Verte | V | D | 8.293 | 1,638,882 | 7,957,857 |
| Rogersville | V | D | 14.746 | 1,075,356 | 14,150,074 |
| Salisbury | V | D | 20.695 | 1,649,565 | 19,858,658 |
| Seal Cove | V | D | 16.570 | 438,340 | 15,900,361 |
| Sheila | V | D | 16.200 | 1,104,117 | 15,545,314 |
| St Andre | V | D | 4.779 | 1,453,651 | 4,585,868 |
| St Antoine | V | D | 15.277 | 1,061,337 | 14,659,615 |
| St Francois | V | D | 8.225 | 1,421,520 | 7,892,605 |
| St Hilaire | V | D | 6.340 | 2,109,590 | 6,083,787 |
| St Jacques | V | D | 18.791 | 2,040,408 | 18,031,604 |
| St Joseph | V | D | 11.167 | 1,366,191 | 10,715,711 |
| St Leolin | V | D | 12.736 | 472,103 | 12,221,303 |
| St Leonard | V | D | 10.441 | 1,923,839 | 10,019,051 |
| St Louis | V | D | 7.667 | 2,790,922 | 7,357,156 |
| St Martins | V | D | 5.449 | 1,094,944 | 5,228,741 |
| St Quentin | V | D | 16.366 | 2,489,787 | 15,704,605 |
| Stanley | V | D | 16.750 | 562,519 | 16,073,087 |
| Ste Anne | V | D | 14.762 | 1,238,285 | 17,781,592 |
| Sussex Corner | V | D | 12.423 | 1,697,788 | 11,920,953 |
| Tide Head | V | D | 14.547 | 1,184,303 | 13,959,116 |
| Tracy | V | D | 19.344 | 302,688 | 18,562,256 |
| Verret | V | D | 12.856 | 520,947 | 12,336,454 |
| Westfield | V | D | 21.621 | 1,155,148 | 20,747,235 |
| | | | 1413.260 | 959,587 | |
| | | | 4093.393 | 2,635,548 | |

## APPENDIX E - continued

| MUNICIPALITY | TYPE | CLASS | UNADJUSTED GRANT BASE | TAX RATE DENOMINATOR (PREVIOUS YEAR) | LOCAL WARRANT (PREVIOUS YEAR) | TAX EFFORT: TAX RATE BY CLASS | TAX EFFORT: CAPACITY | TAX EFFORT: TAX EFFORT | ADJUSTED GRANT BASE |
|---|---|---|---|---|---|---|---|---|---|
| | | | (COL 5 + 1/4 COL 8) | | | (COL 11/ COL 10) | (COL 10 * COL 12) | (COL 11/ COL 13) | (COL 9 * COL 14) |
| COL #1 | | | COL #9 | COL #10 | COL #11 | COL #12 | COL #13 | COL #14 | COL #15 |
| Fredericton | C | A | 1,354,128,501 | 1,311,520,950 | 14,667,029 | | 18,094,876 | 81.06% | 1,340,774,585 |
| Moncton | C | A | 2,040,487,736 | 1,395,407,650 | 19,208,334 | | 19,252,250 | 99.77% | 2,035,833,223 |
| Saint John | C | A | 2,995,940,951 | 2,062,629,750 | 31,929,586 | | 28,457,823 | 112.20% | 3,361,436,169 |
| | | | | 4,769,558,350 | 65,804,949 | 1.37969 | | | |
| Bathurst | C | B | 534,768,596 | 390,619,150 | 4,980,383 | | 4,782,869 | 104.13% | 556,852,471 |
| Campbellton | C | B | 312,015,947 | 177,897,300 | 2,498,369 | | 2,178,233 | 114.70% | 357,873,104 |
| Chatham | T | B | 216,744,687 | 108,338,100 | 1,385,931 | | 1,326,527 | 104.48% | 226,450,821 |
| Dalhousie | T | B | 188,056,251 | 158,579,050 | 2,045,828 | | 1,941,694 | 105.36% | 196,141,809 |
| Dieppe | T | B | 286,220,997 | 208,686,000 | 2,047,103 | | 2,555,220 | 80.11% | 229,304,677 |
| Edmundston | C | B | 380,512,724 | 319,978,000 | 4,115,550 | | 3,917,916 | 105.04% | 399,707,217 |
| Newcastle | T | B | 214,926,700 | 145,815,450 | 2,038,638 | | 1,785,412 | 114.18% | 245,409,848 |
| Oromocto | T | B | 290,102,669 | 247,713,250 | 2,409,151 | | 2,033,082 | 79.43% | 230,426,050 |
| | | | | 1,757,626,300 | 21,520,953 | 1.22443 | | | |
| Atholville | V | C | 47,601,537 | 58,796,350 | 491,791 | | 562,426 | 87.44% | 41,627,252 |
| Beresford | T | C | 103,134,718 | 47,595,600 | 490,105 | | 455,284 | 107.65% | 111,022,764 |
| Buctouche | T | C | 73,768,675 | 40,240,100 | 306,059 | | 384,922 | 79.51% | 58,654,712 |
| Caraquet | T | C | 134,948,782 | 92,873,400 | 929,991 | | 888,396 | 104.68% | 141,267,154 |
| Fairvale | V | C | 105,847,069 | 63,590,600 | 369,715 | | 608,286 | 60.78% | 64,333,593 |
| Gondola Point | V | C | 98,971,957 | 54,605,900 | 379,198 | | 522,342 | 72.60% | 64,585,873 |
| Grand Bay | V | C | 91,839,076 | 48,926,300 | 424,245 | | 468,017 | 90.65% | 83,250,469 |
| Grand Falls | T | C | 175,372,779 | 125,951,200 | 1,165,991 | | 1,204,807 | 96.78% | 169,722,686 |
| Hampton | V | C | 94,851,554 | 54,714,050 | 360,682 | | 494,679 | 72.91% | 69,158,440 |
| Lameque | T | C | 45,777,090 | 35,170,700 | 332,183 | | 336,421 | 98.74% | 45,199,059 |
| Nackawic | T | C | 40,872,490 | 39,769,150 | 432,972 | | 380,418 | 113.81% | 46,518,899 |
| Quispamsis | T | C | 176,372,088 | 110,961,100 | 851,309 | | 1,061,417 | 80.20% | 141,459,185 |
| Richibucto | T | C | 48,441,602 | 27,638,350 | 286,453 | | 264,379 | 108.35% | 52,486,137 |
| Riverview | T | C | 389,876,691 | 271,539,900 | 2,790,019 | | 2,597,460 | 107.41% | 418,779,682 |
| Rothesay | T | C | 51,541,328 | 47,127,000 | 371,975 | | 450,801 | 82.51% | 42,528,927 |
| Sackville | T | C | 176,675,636 | 147,885,550 | 1,510,862 | | 1,414,624 | 106.80% | 188,695,066 |
| Shediac | T | C | 122,130,795 | 80,243,400 | 1,003,464 | | 767,581 | 130.73% | 159,662,337 |
| Shippagan | T | C | 75,928,623 | 72,060,100 | 884,526 | | 689,303 | 128.32% | 97,433,003 |
| St Andrews | T | C | 56,836,801 | 57,169,200 | 491,589 | | 546,861 | 89.89% | 51,092,196 |
| St Basile | V | C | 91,133,420 | 62,721,150 | 546,582 | | 599,970 | 91.10% | 83,024,029 |
| St George | T | C | 37,796,057 | 29,730,850 | 308,636 | | 284,395 | 108.52% | 41,017,631 |
| St Stephen | T | C | 140,228,635 | 98,516,800 | 1,118,136 | | 942,379 | 118.65% | 166,721,817 |
| Sussex | T | C | 109,660,280 | 102,308,650 | 1,072,546 | | 978,650 | 109.59% | 120,181,535 |
| Tracadie | T | C | 69,116,565 | 59,895,050 | 634,887 | | 572,936 | 110.81% | 76,590,071 |
| Woodstock | T | C | 127,606,005 | 109,184,400 | 967,267 | | 1,044,421 | 92.61% | 118,179,382 |
| | | | | 1,936,214,850 | 18,521,183 | 0.95657 | | | |

## APPENDIX E - continued

| MUNICIPALITY | TYPE | CLASS | UNADJUSTED GRANT BASE | TAX EFFORT: TAX RATE DENOMINATOR (PREVIOUS YEAR) | TAX EFFORT: LOCAL WARRANT (PREVIOUS YEAR) | TAX EFFORT: TAX RATE BY CLASS | TAX EFFORT: CAPACITY | TAX EFFORT: TAX EFFORT | ADJUSTED GRANT BASE |
|---|---|---|---|---|---|---|---|---|---|
| | | | (COL 5 + 1/4 COL 8) | | | (COL 11/ COL 10) | (COL 10 * COL 12) | (COL 11/ COL 13) | (COL 9 * COL 14) |
| COL #1 | | | COL #9 | COL #10 | COL #11 | COL #12 | COL #13 | COL #14 | COL #15 |
| Alma | V | D | 10,919,152 | 4,951,050 | 22,379 | | 41,026 | 54.55% | 5,956,163 |
| Aroostook | V | D | 7,867,175 | 4,354,350 | 42,797 | | 36,082 | 118.61% | 9,331,321 |
| Baker Brook | V | D | 10,581,183 | 5,799,100 | 63,972 | | 48,054 | 133.13% | 14,086,330 |
| Balmoral | V | D | 36,615,322 | 21,720,900 | 215,002 | | 179,988 | 119.45% | 43,738,296 |
| Bas-Caraquet | V | D | 37,083,129 | 15,133,250 | 187,865 | | 125,400 | 149.81% | 55,555,155 |
| Bath | V | D | 15,298,375 | 11,130,900 | 57,408 | | 92,235 | 62.24% | 9,521,859 |
| Belledune | V | D | 16,223,340 | 41,151,050 | 178,489 | | 340,994 | 52.34% | 8,491,905 |
| Bertrand | V | D | 28,337,969 | 11,394,650 | 107,101 | | 94,421 | 113.43% | 32,143,679 |
| Blacks Harbour | V | D | 26,214,475 | 20,509,350 | 229,679 | | 169,949 | 135.15% | 35,427,857 |
| Blackville | V | D | 21,433,172 | 11,883,250 | 110,277 | | 98,469 | 111.99% | 24,093,274 |
| Bristol | V | D | 16,998,850 | 19,386,800 | 78,860 | | 160,647 | 49.09% | 8,344,581 |
| Cambridge-Narrows | V | D | 22,749,741 | 10,498,700 | 41,793 | | 86,996 | 48.04% | 10,928,959 |
| Canterbury | V | D | 9,848,033 | 4,560,400 | 28,953 | | 37,789 | 76.62% | 7,545,264 |
| Cap-Pele | V | D | 44,231,199 | 30,113,600 | 244,918 | | 249,533 | 98.15% | 43,413,126 |
| Centreville | V | D | 12,284,838 | 10,539,700 | 68,146 | | 87,336 | 78.03% | 9,585,524 |
| Charlo | V | D | 37,473,436 | 22,396,500 | 222,257 | | 185,586 | 119.76% | 44,977,962 |
| Chipman | V | D | 36,086,510 | 19,785,050 | 174,952 | | 163,947 | 106.71% | 38,508,838 |
| Clair | V | D | 17,962,379 | 14,162,800 | 125,174 | | 117,359 | 106.66% | 19,156,575 |
| Coaktown | V | D | 23,220,790 | 12,345,050 | 100,738 | | 102,296 | 98.48% | 22,867,137 |
| Dorchester | V | D | 20,760,403 | 12,655,800 | 107,592 | | 104,871 | 102.59% | 21,299,062 |
| Douglastown | V | D | 21,838,630 | 26,225,200 | 266,924 | | 217,312 | 122.83% | 26,824,308 |
| Drummond | V | D | 16,290,587 | 14,430,800 | 102,778 | | 119,579 | 85.95% | 14,001,792 |
| East Riverside | V | D | 18,513,797 | 25,467,500 | 198,478 | | 211,034 | 94.05% | 17,412,289 |
| Eel River Crossing | V | D | 27,669,186 | 11,926,100 | 128,119 | | 98,824 | 129.64% | 35,871,192 |
| Florenceville | V | D | 15,817,905 | 27,603,950 | 165,142 | | 228,737 | 72.20% | 11,420,092 |
| Fredericton Junctio | V | D | 16,889,258 | 10,872,650 | 98,708 | | 90,095 | 109.56% | 18,503,839 |
| Gagetown | V | D | 19,136,630 | 8,519,750 | 56,589 | | 70,598 | 80.16% | 15,339,280 |
| Grand Harbour | V | D | 14,891,949 | 11,564,400 | 50,146 | | 95,827 | 52.33% | 7,792,899 |
| Grande Anse | V | D | 18,272,794 | 11,395,500 | 111,587 | | 94,428 | 118.17% | 21,593,324 |
| Hartland | T | D | 17,341,375 | 20,103,100 | 237,230 | | 166,582 | 142.41% | 24,695,875 |
| Harvey | V | D | 7,133,227 | 6,433,200 | 44,473 | | 53,308 | 83.42% | 5,950,997 |
| Hillsborough | V | D | 25,883,511 | 16,148,550 | 150,367 | | 133,813 | 112.37% | 29,085,498 |
| Jacquet River | V | D | 19,559,228 | 11,618,900 | 100,260 | | 96,279 | 104.14% | 20,368,016 |
| Kedgwick | V | D | 22,806,817 | 15,948,000 | 177,589 | | 132,151 | 134.38% | 30,648,472 |
| Lac Baker | V | D | 6,678,261 | 2,046,300 | 21,927 | | 16,956 | 129.31% | 8,635,901 |
| Loggieville | V | D | 17,098,971 | 7,050,550 | 74,777 | | 58,424 | 127.99% | 21,885,140 |
| McAdam | V | D | 35,894,226 | 21,318,600 | 226,837 | | 176,654 | 128.41% | 46,090,788 |
| Meductic | V | D | 5,087,920 | 2,809,300 | 12,786 | | 23,279 | 54.93% | 2,794,546 |
| Millville | V | D | 6,906,660 | 3,106,650 | 19,801 | | 25,743 | 76.92% | 5,312,479 |
| Minto | V | D | 67,221,105 | 35,788,650 | 320,787 | | 296,559 | 108.17% | 72,712,892 |
| Neguac | V | D | 40,592,022 | 21,045,850 | 154,322 | | 174,394 | 88.49% | 35,920,005 |
| Nelson Miramichi | V | D | 29,939,535 | 21,031,800 | 158,847 | | 174,278 | 91.15% | 27,288,643 |
| Nigadoo | V | D | 20,976,890 | 9,698,500 | 104,735 | | 80,366 | 130.32% | 27,337,746 |

# APPENDIX E - continued

| MUNICIPALITY | TYPE | CLASS | UNADJUSTED GRANT BASE | TAX EFFORT: TAX RATE DENOMINATOR (PREVIOUS YEAR) | TAX EFFORT: LOCAL WARRANT (PREVIOUS YEAR) | TAX EFFORT: TAX RATE BY CLASS | TAX EFFORT: CAPACITY | TAX EFFORT: TAX EFFORT | ADJUSTED GRANT BASE |
|---|---|---|---|---|---|---|---|---|---|
| | | | (COL 5 + 1/4 COL 8) | | | (COL 11 / COL 10) | (COL 10 * COL 12) | (COL 11 / COL 13) | (COL 9 + COL 14) |
| COL #1 | | | COL #9 | COL #10 | COL #11 | COL #12 | COL #13 | COL #14 | COL #15 |
| North Head | V | D | 12,907,516 | 11,705,300 | 56,722 | | 96,995 | 58.48% | 8,133,040 |
| Norton | V | D | 39,978,345 | 17,379,059 | 99,646 | | 110,864 | 89.86% | 35,933,021 |
| Paquetville | V | D | 12,933,754 | 12,077,100 | 100,725 | | 100,075 | 100.65% | 13,017,678 |
| Perth-Andover | V | D | 36,860,094 | 38,022,050 | 265,428 | | 315,066 | 84.25% | 31,052,886 |
| Petit-Rocher | V | D | 35,185,417 | 30,505,650 | 320,508 | | 252,782 | 126.77% | 44,776,838 |
| Petitcodiac | V | D | 28,974,858 | 27,582,950 | 232,247 | | 195,418 | 118.85% | 34,435,558 |
| Plaster Rock | V | D | 23,753,838 | 22,067,500 | 191,720 | | 182,860 | 104.85% | 24,904,762 |
| Pointe-Verte | V | D | 25,919,437 | 8,343,800 | 100,347 | | 69,140 | 145.14% | 37,618,407 |
| Port Elgin | V | D | 10,189,013 | 9,293,000 | 110,011 | | 77,005 | 142.86% | 14,556,152 |
| Renforth | V | D | 28,067,122 | 30,667,500 | 235,126 | | 254,127 | 92.52% | 25,968,956 |
| Rexton | V | D | 19,033,972 | 15,174,300 | 124,360 | | 125,740 | 98.90% | 18,825,036 |
| Riverside-Albert | V | D | 10,088,837 | 4,473,750 | 36,828 | | 37,071 | 99.34% | 10,022,633 |
| Riviere-Verte | V | D | 19,422,354 | 10,607,100 | 89,477 | | 87,895 | 101.80% | 19,772,056 |
| Rogersville | V | D | 23,497,228 | 13,880,200 | 159,138 | | 115,017 | 138.36% | 33,202,717 |
| Salisbury | V | D | 32,619,179 | 30,677,650 | 173,014 | | 254,207 | 68.06% | 22,209,692 |
| Seal Cove | V | D | 13,038,890 | 7,085,650 | 40,378 | | 58,715 | 69.79% | 9,100,097 |
| Sheila | V | D | 23,270,952 | 16,648,050 | 159,333 | | 137,952 | 115.50% | 26,277,822 |
| St Andre | V | D | 7,514,283 | 6,536,050 | 62,689 | | 54,150 | 115.75% | 8,697,568 |
| St Antoine | V | D | 23,793,818 | 17,874,000 | 123,181 | | 114,965 | 107.15% | 25,434,147 |
| St Francois | V | D | 14,427,607 | 11,157,150 | 110,322 | | 92,452 | 119.33% | 17,216,307 |
| St Hilaire | V | D | 5,556,652 | 12,854,950 | 79,933 | | 106,521 | 75.04% | 4,169,695 |
| St Jacques | V | D | 42,499,779 | 34,008,600 | 216,885 | | 281,809 | 76.96% | 32,709,585 |
| St Joseph | V | D | 13,098,990 | 13,592,200 | 181,921 | | 112,671 | 161.52% | 21,157,542 |
| St Leolin | V | D | 16,279,611 | 4,433,250 | 48,098 | | 36,736 | 130.93% | 21,303,109 |
| St Leonard | T | D | 28,406,060 | 17,912,400 | 204,929 | | 148,429 | 138.07% | 39,218,861 |
| St Louis | V | D | 21,124,674 | 19,681,400 | 220,774 | | 163,088 | 135.37% | 28,596,724 |
| St Martins | V | D | 10,077,282 | 5,317,650 | 34,760 | | 44,068 | 78.88% | 7,946,307 |
| St Quentin | V | D | 42,530,001 | 38,449,000 | 275,084 | | 318,504 | 86.34% | 36,729,620 |
| Stanley | V | D | 11,163,457 | 8,731,700 | 40,283 | | 72,354 | 55.67% | 6,215,213 |
| Ste Anne | V | D | 25,476,387 | 15,393,900 | 140,979 | | 127,560 | 110.52% | 28,156,452 |
| Sussex Corner | V | D | 19,900,435 | 18,256,950 | 104,003 | | 151,284 | 68.75% | 13,680,896 |
| Tide Head | V | D | 19,275,651 | 15,779,050 | 126,921 | | 130,751 | 97.07% | 18,672,129 |
| Tracy | V | D | 15,159,865 | 5,105,600 | 34,781 | | 42,307 | 82.21% | 12,463,067 |
| Verret | V | D | 13,619,954 | 6,143,800 | 40,393 | | 50,910 | 80.52% | 10,965,868 |
| Westfield | V | D | 22,380,569 | 22,539,850 | 130,820 | | 186,774 | 70.04% | 16,376,177 |
| | | | | 1,214,584,150 | 10,064,525 | 0.82864 | | | |
| | | | | 9,677,983,650 | 115,911,619 | | | | |

## APPENDIX E - continued

| MUNICIPALITY | TYPE | CLASS | ADJUSTED GRANT BASE PLUS INITIAL GRANT BASE | PERCENTAGE OF GRANT SUPPORT | EXPENDITURE BASE | UNADJUSTED GRANT ALLOCATION | GRANT POOL | FINAL ADJUSTMENT | UNCONDITIONAL GRANT |
|---|---|---|---|---|---|---|---|---|---|
| | | | (COL 15 + COL 3) | (COL 15 / COL 16) | | (COL 17 * COL 18) | | (COL 20 / COL 19) | (COL 19 * COL 21) |
| COL #1 | | | COL #16 | COL #17 | COL #18 | COL #19 | COL #20 | COL #21 | COL #22 |
| Fredericton | C | A | 2,987,910,795 | 46.43% | 25,268,973 | 11,731,665 | | | 8,618,375 |
| Moncton | C | A | 3,589,349,423 | 56.72% | 36,118,026 | 20,485,684 | | | 15,049,296 |
| Saint John | C | A | 5,613,229,919 | 59.88% | 62,148,224 | 37,216,948 | | | 27,340,502 |
| | | | | | | 69,434,297 | 51,008,172 | 73.4625% | 51,008,172 |
| Bathurst | C | B | 977,118,721 | 56.99% | 9,008,853 | 5,134,076 | | | 3,646,786 |
| Campbellton | C | B | 551,112,554 | 64.94% | 5,135,829 | 3,334,897 | | | 2,368,811 |
| Chatham | T | B | 348,155,771 | 65.04% | 2,727,463 | 1,774,025 | | | 1,260,108 |
| Dalhousie | T | B | 365,547,059 | 54.20% | 3,629,755 | 1,967,479 | | | 1,397,520 |
| Dieppe | T | B | 453,295,527 | 50.59% | 3,848,679 | 1,946,893 | | | 1,382,858 |
| Edmundston | C | B | 754,626,967 | 52.97% | 7,033,993 | 3,725,732 | | | 2,646,425 |
| Newcastle | T | B | 421,742,048 | 58.19% | 3,898,407 | 2,268,486 | | | 1,611,314 |
| Dromocto | T | B | 511,246,680 | 45.07% | 4,219,079 | 1,901,598 | | | 1,350,724 |
| | | | | | | 22,053,167 | 15,664,587 | 71.0310% | 15,664,587 |
| Atholville | V | C | 100,988,002 | 41.22% | 799,167 | 329,385 | | | 234,804 |
| Beresford | T | C | 164,109,814 | 67.65% | 1,096,396 | 741,728 | | | 528,746 |
| Buctouche | T | C | 101,663,212 | 57.70% | 601,326 | 346,936 | | | 247,315 |
| Caraquet | T | C | 240,782,854 | 58.67% | 1,775,501 | 1,041,685 | | | 742,572 |
| Fairvale | V | C | 138,204,990 | 46.55% | 726,231 | 338,056 | | | 240,985 |
| Gondola Point | V | C | 127,021,077 | 50.35% | 654,121 | 332,519 | | | 237,109 |
| Grand Bay | V | C | 142,191,219 | 58.55% | 842,041 | 493,000 | | | 351,428 |
| Grand Falls | T | C | 304,526,186 | 55.73% | 2,248,703 | 1,253,270 | | | 893,401 |
| Hampton | V | C | 127,344,290 | 54.31% | 741,855 | 402,888 | | | 287,201 |
| Lameque | T | C | 82,779,459 | 54.59% | 595,221 | 324,921 | | | 231,623 |
| Nackawic | T | C | 90,475,749 | 51.42% | 744,189 | 382,631 | | | 272,761 |
| Quispamsis | T | C | 272,849,385 | 51.85% | 1,712,069 | 887,675 | | | 632,756 |
| Richibucto | T | C | 81,502,680 | 64.40% | 576,967 | 371,555 | | | 264,866 |
| Riverview | T | C | 723,429,032 | 57.89% | 5,356,728 | 3,100,911 | | | 2,210,503 |
| Rothesay | T | C | 98,661,323 | 43.11% | 641,133 | 276,367 | | | 197,010 |
| Sackville | T | C | 357,646,866 | 53.36% | 2,774,545 | 1,480,412 | | | 1,055,320 |
| Shediac | T | C | 248,331,737 | 64.29% | 1,902,253 | 1,223,034 | | | 871,847 |
| Shippagan | T | C | 174,682,603 | 55.78% | 1,457,998 | 813,230 | | | 579,716 |
| St Andrews | T | C | 114,192,586 | 44.74% | 875,143 | 391,558 | | | 279,124 |
| St Basile | V | C | 152,730,829 | 54.01% | 1,055,758 | 570,174 | | | 406,452 |
| St George | T | C | 71,723,131 | 57.19% | 536,742 | 306,957 | | | 218,816 |
| St Stephen | T | C | 271,865,717 | 51.20% | 2,276,586 | 1,393,271 | | | 993,201 |
| Sussex | T | C | 229,878,875 | 52.23% | 1,840,500 | 962,220 | | | 685,925 |
| Tracadie | T | C | 139,766,371 | 54.80% | 1,078,480 | 590,992 | | | 421,292 |
| Woodstock | T | C | 239,546,132 | 49.33% | 1,711,105 | 844,169 | | | 601,771 |
| | | | | | | 19,199,605 | 13,686,553 | 71.2856% | 13,686,553 |

## APPENDIX E - continued

| MUNICIPALITY | TYPE | CLASS | ADJUSTED GRANT BASE PLUS INITIAL GRANT BASE | PERCENTAGE OF GRANT SUPPORT | EXPENDITURE BASE | UNADJUSTED GRANT ALLOCATION | GRANT POOL | FINAL ADJUSTMENT | UNCONDITIONAL GRANT |
|---|---|---|---|---|---|---|---|---|---|
| | | | (COL 15 + COL 3) | (COL 15 / COL 16) | | (COL 17 * COL 18) | | (COL 20 / COL 19) | (COL 19 + COL 21) |
| COL #1 | | | COL #16 | COL #17 | COL #18 | COL #19 | COL #20 | COL #21 | COL #22 |
| Alma | V | D | 11,044,862 | 53.92% | 63,316 | 34,144 | | | 29,206 |
| Aroostook | V | D | 14,144,971 | 65.97% | 101,116 | 66,705 | | | 57,057 |
| Baker Brook | V | D | 20,740,630 | 67.92% | 153,014 | 103,922 | | | 88,891 |
| Balmoral | V | D | 67,470,646 | 64.83% | 495,956 | 321,507 | | | 275,005 |
| Bas-Caraquet | V | D | 74,921,105 | 74.15% | 563,314 | 417,706 | | | 357,291 |
| Bath | V | D | 21,502,809 | 44.28% | 140,999 | 62,437 | | | 53,406 |
| Belledune | V | D | 51,830,005 | 16.38% | 296,021 | 48,501 | | | 14,327 |
| Bertrand | V | D | 46,458,079 | 69.19% | 309,803 | 214,348 | | | 183,346 |
| Blacks Harbour | V | D | 56,601,357 | 62.39% | 531,014 | 332,372 | | | 284,299 |
| Blackville | V | D | 38,393,974 | 62.52% | 255,874 | 159,968 | | | 136,831 |
| Bristol | V | D | 29,298,781 | 28.38% | 143,189 | 40,643 | | | 8,327 |
| Cambridge-Narrows | V | D | 23,349,759 | 46.81% | 91,592 | 42,870 | | | 10,857 |
| Canterbury | V | D | 12,521,364 | 60.26% | 74,332 | 44,792 | | | 38,313 |
| Cap-Pele | V | D | 75,819,276 | 57.26% | 532,880 | 305,120 | | | 260,989 |
| Centreville | V | D | 20,966,624 | 45.72% | 136,006 | 62,179 | | | 53,186 |
| Charlo | V | D | 69,365,212 | 64.70% | 503,576 | 325,804 | | | 278,681 |
| Chipman | V | D | 61,953,488 | 62.16% | 433,562 | 269,492 | | | 230,514 |
| Clair | V | D | 35,756,325 | 53.58% | 270,011 | 144,674 | | | 123,749 |
| Doaktown | V | D | 37,810,687 | 60.48% | 247,538 | 149,706 | | | 128,053 |
| Dorchester | V | D | 34,860,362 | 61.10% | 264,442 | 161,569 | | | 138,201 |
| Douglastown | V | D | 54,994,758 | 48.78% | 501,412 | 244,569 | | | 209,196 |
| Drummond | V | D | 30,522,602 | 45.87% | 196,137 | 89,974 | | | 76,961 |
| East Riverside | V | D | 45,313,339 | 38.43% | 320,961 | 123,334 | | | 105,495 |
| Eel River Crossing | V | D | 48,980,092 | 73.24% | 343,424 | 251,511 | | | 215,133 |
| Florenceville | V | D | 43,234,092 | 26.41% | 292,921 | 77,374 | | | 66,183 |
| Fredericton Junctio | V | D | 29,893,489 | 61.90% | 240,772 | 149,036 | | | 127,480 |
| Gagetown | V | D | 24,482,930 | 62.65% | 155,542 | 97,452 | | | 83,357 |
| Grand Harbour | V | D | 19,419,549 | 40.13% | 126,107 | 50,606 | | | 43,286 |
| Grande Anse | V | D | 33,831,274 | 63.83% | 265,541 | 169,486 | | | 144,972 |
| Hartland | T | D | 47,418,775 | 52.08% | 465,447 | 242,407 | | | 207,346 |
| Harvey | V | D | 13,231,847 | 44.97% | 80,741 | 36,313 | | | 31,061 |
| Hillsborough | V | D | 47,028,296 | 61.85% | 339,496 | 209,967 | | | 179,598 |
| Jacquet River | V | D | 32,744,316 | 62.20% | 191,049 | 118,839 | | | 101,650 |
| Kedgwick | V | D | 47,861,422 | 64.04% | 365,199 | 233,858 | | | 200,034 |
| Lac Baker | V | D | 10,981,951 | 78.64% | 68,635 | 53,977 | | | 46,166 |
| Loggieville | V | D | 30,144,390 | 72.60% | 212,717 | 154,435 | | | 132,098 |
| McAdam | V | D | 68,201,288 | 67.58% | 521,491 | 352,426 | | | 301,453 |
| Meductic | V | D | 6,191,446 | 45.14% | 36,432 | 16,444 | | | 14,065 |
| Millville | V | D | 8,788,629 | 60.45% | 39,727 | 24,014 | | | 17,132 |
| Minto | V | D | 118,233,592 | 61.50% | 802,913 | 493,786 | | | 422,367 |
| Neguac | V | D | 58,925,505 | 60.96% | 388,458 | 236,798 | | | 202,548 |
| Nelson Miramichi | V | D | 49,546,743 | 55.08% | 380,407 | 209,515 | | | 179,212 |
| Nigadoo | V | D | 37,448,396 | 73.00% | 255,539 | 186,546 | | | 159,565 |

## APPENDIX E - continued

| MUNICIPALITY | TYPE | CLASS | ADJUSTED GRANT BASE PLUS INITIAL GRANT BASE | PERCENTAGE OF GRANT SUPPORT | EXPENDITURE BASE | UNADJUSTED GRANT ALLOCATION | GRANT POOL | FINAL ADJUSTMENT | UNCONDITIONAL GRANT |
|---|---|---|---|---|---|---|---|---|---|
| | | | (COL 15 + COL 3) | (COL 15 / COL 16) | | (COL 17 * COL 18) | | (COL 20 / COL 19) | (COL 19 * COL 21) |
| COL #1 | | | COL #16 | COL #17 | COL #18 | COL #19 | COL #20 | COL #21 | COL #22 |
| North Head | V | D | 20,184,840 | 40.29% | 127,799 | 51,494 | | | 44,046 |
| Norton | V | D | 51,533,821 | 69.73% | 295,984 | 206,381 | | | 176,531 |
| Paquetville | V | D | 27,629,328 | 47.12% | 209,140 | 98,537 | | | 84,285 |
| Perth-Andover | V | D | 73,175,886 | 42.46% | 535,112 | 227,204 | | | 194,342 |
| Petit-Rocher | V | D | 77,924,488 | 57.38% | 640,669 | 367,622 | | | 314,451 |
| Petitcodiac | V | D | 62,432,298 | 55.16% | 523,723 | 288,868 | | | 247,087 |
| Plaster Rock | V | D | 50,540,412 | 49.28% | 409,238 | 201,660 | | | 172,493 |
| Pointe-Verte | V | D | 47,450,807 | 79.28% | 284,116 | 225,244 | | | 192,665 |
| Port Elgin | V | D | 24,939,253 | 58.37% | 232,310 | 135,591 | | | 115,980 |
| Renforth | V | D | 60,758,556 | 42.74% | 423,821 | 181,146 | | | 154,946 |
| Rexton | V | D | 35,566,686 | 52.93% | 256,541 | 135,764 | | | 116,145 |
| Riverside-Albert | V | D | 15,351,333 | 65.29% | 105,083 | 68,607 | | | 58,684 |
| Riviere-Verte | V | D | 33,363,306 | 59.26% | 210,957 | 125,017 | | | 106,935 |
| Rogersville | V | D | 49,059,913 | 67.66% | 355,807 | 240,803 | | | 205,974 |
| Salisbury | V | D | 56,338,442 | 39.41% | 360,637 | 142,112 | | | 121,558 |
| Seal Cove | V | D | 16,363,397 | 55.61% | 103,193 | 57,388 | | | 49,088 |
| Sheila | V | D | 44,764,322 | 60.04% | 352,371 | 211,572 | | | 180,971 |
| St Andre | V | D | 15,544,568 | 55.59% | 115,843 | 64,403 | | | 55,088 |
| St Antoine | V | D | 41,708,197 | 61.13% | 292,664 | 178,891 | | | 153,017 |
| St Francois | V | D | 38,908,207 | 59.55% | 226,442 | 134,857 | | | 115,352 |
| St Hilaire | V | D | 17,544,485 | 23.77% | 115,485 | 27,447 | | | 23,477 |
| St Jacques | V | D | 71,049,885 | 48.04% | 447,761 | 206,132 | | | 176,317 |
| St Joseph | V | D | 36,413,772 | 58.10% | 353,845 | 205,595 | | | 175,858 |
| St Leolin | V | D | 27,315,809 | 77.99% | 162,181 | 126,482 | | | 108,188 |
| St Leonard | T | D | 59,305,661 | 66.13% | 479,878 | 317,344 | | | 271,444 |
| St Louis | V | D | 49,994,724 | 57.20% | 439,697 | 251,504 | | | 215,128 |
| St Martins | V | D | 13,912,657 | 57.12% | 89,236 | 50,968 | | | 43,596 |
| St Quentin | V | D | 77,468,470 | 47.40% | 569,007 | 269,713 | | | 230,703 |
| Stanley | V | D | 15,637,413 | 39.75% | 85,051 | 33,804 | | | 28,907 |
| Ste Anne | V | D | 45,940,702 | 61.29% | 316,896 | 194,221 | | | 166,130 |
| Sussex Corner | V | D | 34,767,546 | 39.35% | 191,921 | 75,520 | | | 64,858 |
| Tide Head | V | D | 35,900,179 | 52.01% | 269,658 | 140,252 | | | 119,967 |
| Tracy | V | D | 18,318,267 | 68.04% | 131,796 | 89,258 | | | 59,241 |
| Verret | V | D | 17,664,168 | 62.09% | 109,064 | 67,713 | | | 57,919 |
| Westfield | V | D | 41,351,627 | 39.60% | 247,732 | 98,107 | | | 83,918 |
| | | | | | 21,724,375 | 12,608,365 | 10,784,736 | 85.5364% | 10,685,078 |
| | | | | | 215,994,138 | | 91,144,049 | | 91,044,391 |

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